

## 2001 DRAFTING REQUEST

### Bill

Received: **09/19/2001**

Received By: **champra**

Wanted: **Soon**

Identical to LRB:

For: **Employee Trust Funds**

By/Representing: **Pam Henning**

This file may be shown to any legislator: **NO**

Drafter: **champra**

May Contact:

Addl. Drafters:

Subject: **Employ Pub - employee benefits**  
**Employ Pub - miscellaneous**  
**Employ Pub - retirement**

Extra Copies:

Submit via email: **NO**

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### Pre Topic:

No specific pre topic given

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### Topic:

Miscellaneous provisions affecting the Wisconsin retirement system and benefits provided to public employees

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### Instructions:

See Attached.

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### Drafting History:

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
/P1	champra 09/24/2001	hhagen 09/27/2001		_____			S&L Retire
/1			pgreensl 09/27/2001	_____	lrb_docadmin 09/27/2001		S&L Retire
/2	champra 01/24/2002	hhagen 01/25/2002	jfrantze 01/28/2002	_____	lrb_docadmin 01/28/2002		S&L Retire
/3	champra	hhagen	pgreensl	_____	lrb_docadmin	lrb_docadmin	S&L

02/01/2002 01:04:49 PM

Page 2

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
	01/28/2002	01/28/2002	01/29/2002	_____	01/29/2002	02/01/2002	Retire

FE Sent For:

Atintro.

<END>

See attached

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/3	champra	hhagen	pgreensl	_____	lrb_docadmin		S&L

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Page 2

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	01/28/2002	01/28/2002	01/29/2002 _____		01/29/2002		Retire

FE Sent For:

&lt;END&gt;

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**Employ Pub - miscellaneous**  
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/2	champra 01/24/2002	hhagen 01/25/2002	jfrantze 01/28/2002	<u>      </u> <u>      </u> <u>      </u>	lrb_docadmin 01/28/2002		S&L Retire

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SELF

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**<END>**

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Drafter: **champra**

May Contact:

Addl. Drafters:

Subject: **Employ Pub - employee benefits**  
**Employ Pub - miscellaneous**  
**Employ Pub - retirement**

Extra Copies:

*e-mail copy to  
Sen. Wirch's office*

Submit via email: **NO**

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/P1	champra 09/24/2001	hhagen 09/27/2001		_____			S&L Retire
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FE Sent For:

*Self*  
*11/28*  
**<END>**

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Wanted: Soon

For: Employee Trust Funds

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May Contact:

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**Employ Pub - miscellaneous**  
**Employ Pub - retirement**

Submit via email: NO

Pre Topic:

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Instructions:

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/?	champra						
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FE Sent For:

1 hnh  
9/24/01

CMK  
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CH

9/27  
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9/27

PS/1/GR  
<END>

*[Signature]*

*[Signature]*

Received By: champra

Identical to LRB:

By/Representing: Pam Henning

Drafter: champra

Addl. Drafters:

Extra Copies:

at DETK  
e-mail to



500W

3808

RAC

DETF - compile Leg. Counsel draft sub  
one draft per Peter Henning

9/18/01

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*Leave this component in document if you wish to retrieve Bill Drafts*

*Leave this component in document if you wish to retrieve DOA Bill Drafts*

*Leave this component in document if you wish to retrieve Amendments*

*Leave this component in document if you wish to retrieve LFB Amendment Drafts*

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## Sorted Item List

<u>Store File Name</u>	<u>Text</u>
-1564.1	40.02 (1) of the statutes is amended to read:
-1564.2	40.02 (2) of the statutes is amended to read:
-1567.1	40.02 (15) (c) (intro.) of the statutes is amended to read:
-1568.1	40.02 (15) (c) 3. of the statutes is amended to read:
-1564.3	40.02 (15) (c) 4. of the statutes is amended to read:
-1564.4	40.02 (38) of the statutes is amended to read:
-1564.5	40.02 (54v) of the statutes is created to read:
-1587.1	40.03 (2) (ig) of the statutes is amended to read:
-1588.1	40.03 (6) (cm) of the statutes is created to read:
-1593.1	40.03 (6) (i) of the statutes is amended to read:
-1564.6	40.04 (4) (a) 1. of the statutes is amended to read:
-1564.7	40.04 (4) (a) 2. of the statutes, as affected by 1999 Wisconsin Act 11, is amended to read:
-1564.8	40.04 (7) (intro.) of the statutes is amended to read:
-1564.9	40.04 (7) (a) (intro.) of the statutes is amended to read:
-1564.10	40.04 (7) (c) of the statutes is amended to read:
-1564.11	40.05 (1) (a) 5m. of the statutes is created to read:
-1570.1	40.05 (1) (a) 6. of the statutes is amended to read:
-1564.12	40.05 (1) (a) 7. of the statutes is amended to read:
-1564.13	40.05 (2) (g) 2. of the statutes is amended to read:
-1571.1	40.05 (2) (g) 2. of the statutes is amended to read:
-1574.1	40.06 (8) of the statutes is created to read:
-1594.1	40.08 (1) of the statutes is amended to read:
-1594.2	40.08 (3) of the statutes is renumbered 40.08 (3) (a) and amended to read:
-1594.3	40.08 (3) (b) of the statutes is created to read:
-1564.14	40.08 (4) of the statutes is repealed and recreated to read:
-1575.1	40.08 (6) (e) of the statutes is repealed and recreated to read:
1564.15	40.08 (7) (a) of the statutes is amended to read:
-1575.2	40.08 (7) (c) of the statutes is amended to read:
-1572.1	40.08 (8) (a) 1. of the statutes is amended to read:

-1572.2	40.08 (8) (a) 2. of the statutes is amended to read:
-1572.3	40.08 (8) (a) 2m. of the statutes is amended to read:
-1573.1	40.08 (8) (a) 3. of the statutes is amended to read:
-1573.2	40.08 (8) (a) 4. of the statutes is amended to read:
-1573.3	40.08 (8) (b) of the statutes is amended to read:
-1573.4	40.08 (8) (c) of the statutes is amended to read:
-1573.5	40.08 (8) (e) of the statutes is amended to read:
-1574.2	40.08 (10) of the statutes is renumbered 40.08 (10) (a) and amended to read:
-1574.3	40.08 (10) (b) of the statutes is created to read:
-1574.4	40.08 (10) (c) of the statutes is created to read:
-1574.5	40.08 (10) (d) of the statutes is created to read:
-1596.1	40.08 (13) of the statutes is amended to read:
-1582.1	40.22 (2) (h) of the statutes is repealed.
-1564.16	40.23 (1) (b) of the statutes is amended to read:
-1597.1	40.23 (3) of the statutes is amended to read:
-1576.1	40.23 (4) (a) of the statutes is amended to read:
-1576.2	40.23 (4) (b) of the statutes is amended to read:
-1576.3	40.23 (4) (c) of the statutes is amended to read:
-1576.4	40.23 (4) (d) of the statutes is amended to read:
-1576.5	40.23 (4) (e) 1. of the statutes is amended to read:
-1576.6	40.23 (4) (e) 3. of the statutes is amended to read:
-1576.7	40.23 (4) (f) of the statutes is repealed and recreated to read:
-1576.8	40.23 (4) (g) of the statutes is amended to read:
-1564.17	40.24 (1) (f) of the statutes is amended to read:
-1564.18	40.24 (3) of the statutes is amended to read:
-1564.19	40.24 (7) (a) 4. of the statutes is amended to read:
-1564.20	40.25 (1) (a) of the statutes is amended to read:
-1564.21	40.25 (1) (b) of the statutes is amended to read:
-1564.22	40.25 (3m) of the statutes is amended to read:
-1564.23	40.25 (4) of the statutes is amended to read:
-1564.24	40.25 (6) (a) 1. of the statutes is amended to read:
-1564.25	40.25 (6) (a) 2. of the statutes is amended to read:
-1564.26	40.25 (7) (a) 2. of the statutes is amended to read:

-1564.27	40.25 (7) (a) 3. of the statutes is amended to read:
-1597.2	40.25 (7) (d) of the statutes is amended to read:
-1564.28	40.26 (2) (a) of the statutes is amended to read:
-1564.29	40.26 (2) (b) of the statutes is amended to read:
-1577.1	40.26 (5) (intro.) of the statutes is amended to read:
-1577.2	40.26 (5) (a) of the statutes is repealed.
-1577.3	40.26 (5) (c) of the statutes is amended to read:
-1564.30	40.28 (1) (a) 1. of the statutes is amended to read:
-1578.1	40.63 (7) of the statutes is amended to read:
-1564.31	40.63 (9) (b) of the statutes is amended to read:
-1564.32	40.63 (10) of the statutes is amended to read:
-1589.1	40.70 (1) (b) of the statutes is amended to read:
-1591.1	40.70 (6) of the statutes is amended to read:
-1579.1	40.71 (1) (d) of the statutes is amended to read:
-1580.1	40.71 (2) of the statutes is amended to read:
-1597.3	40.73 (1) (am) of the statutes is renumbered 40.73 (1) (am) (intro.) and amended to read:
-1597.4	40.73 (1) (am) 1. of the statutes is created to read:
-1597.5	40.73 (1) (am) 2. of the statutes is created to read:
-1597.6	40.73 (1) (am) 3. of the statutes is created to read:
-1564.33	40.73 (1) (b) of the statutes is amended to read:
-1581.1	40.73 (3) (e) of the statutes is amended to read:
-1564.34	40.80 (2) (g) of the statutes is created to read:
-1568.2	Initial applicability.
-1564.35	Initial applicability.



State of Wisconsin  
2001 - 2002 LEGISLATURE

LRB-3808/PT

RAC:::ch

hmk

Monday 10/11

~~PRELIMINARY DRAFT - NOT READY FOR INTRODUCTION~~

Regenerate

1 AN ACT *to repeal* 40.22 (2) (h) and 40.26 (5) (a); *to renumber and amend* 40.08  
2 (3), 40.08 (10) and 40.73 (1) (am); *to amend* 40.02 (1), 40.02 (2), 40.02 (15) (c)  
3 (intro.), 40.02 (15) (c) 3., 40.02 (15) (c) 4., 40.02 (38), 40.03 (2) (ig), 40.03 (6) (i),  
4 40.04 (4) (a) 1., 40.04 (4) (a) 2., 40.04 (7) (intro.), 40.04 (7) (a) (intro.), 40.04 (7)  
5 (c), 40.05 (1) (a) 6., 40.05 (1) (a) 7., 40.05 (2) (g) 2., 40.05 (2) (g) 2., 40.08 (1), 40.08  
6 (7) (a), 40.08 (7) (c), 40.08 (8) (a) 1., 40.08 (8) (a) 2., 40.08 (8) (a) 2m., 40.08 (8)  
7 (a) 3., 40.08 (8) (a) 4., 40.08 (8) (b), 40.08 (8) (c), 40.08 (8) (e), 40.08 (13), 40.23  
8 (1) (b), 40.23 (3), 40.23 (4) (a), 40.23 (4) (b), 40.23 (4) (c), 40.23 (4) (d), 40.23 (4)  
9 (e) 1., 40.23 (4) (e) 3., 40.23 (4) (g), 40.24 (1) (f), 40.24 (3), 40.24 (7) (a) 4., 40.25  
10 (1) (a), 40.25 (1) (b), 40.25 (3m), 40.25 (4), 40.25 (6) (a) 1., 40.25 (6) (a) 2., 40.25  
11 (7) (a) 2., 40.25 (7) (a) 3., 40.25 (7) (d), 40.26 (2) (a), 40.26 (2) (b), 40.26 (5) (intro.),  
12 40.26 (5) (c), 40.28 (1) (a) 1., 40.63 (7), 40.63 (9) (b), 40.63 (10), 40.70 (1) (h), 40.70  
13 (6), 40.71 (1) (d), 40.71 (2), 40.73 (1) (b) and 40.73 (3) (e); *to repeal and recreate*  
14 40.08 (4), 40.08 (6) (e) and 40.23 (4) (f); and *to create* 40.02 (54v), 40.03 (6) (cm),  
15 40.05 (1) (a) 5m., 40.06 (8), 40.08 (3) (b), 40.08 (10) (b), 40.08 (10) (c), 40.08 (10)

(d), 40.73 (1) (am) 1., 40.73 (1) (am) 2., 40.73 (1) (am) 3. and 40.80 (2) (g) of the statutes; **relating to:** the making of additional retirement contributions by participants in the Wisconsin retirement system; deferred compensation programs established by the deferred compensation board; purchase of forfeited creditable service under the Wisconsin retirement system; reimbursement of moneys paid by the department of employee trust funds as a result of misrepresentation, fraud, or error; and creditable military service under the Wisconsin retirement system (suggested as remedial legislation by the department of employee trust funds); creditable military service under the Wisconsin retirement system (suggested as remedial legislation by the department of employee trust funds); calculation of creditable military service under the Wisconsin retirement system (suggested as remedial legislation by the department of employee trust funds); additional contributions under the Wisconsin retirement system (suggested as remedial legislation by the department of employee trust funds); additional contributions under the Wisconsin retirement system (suggested as remedial legislation by the department of employee trust funds); death benefits under the Wisconsin retirement system (suggested as remedial legislation by the department of employee trust funds); abandoned accounts under the Wisconsin retirement system (suggested as remedial legislation by the department of employee trust funds); the correction of accounts under the Wisconsin retirement system (suggested as remedial legislation by the department of employee trust funds); payment of interest on certain refunds and on annuity underpayments under the Wisconsin retirement system (suggested as remedial legislation by the department of employee trust funds); distributions to participants in the

1     Wisconsin retirement system (suggested as remedial legislation by the  
2     department of employee trust funds); eligibility for a retirement annuity under  
3     the Wisconsin retirement system (suggested as remedial legislation by the  
4     department of employee trust funds); disability applications under the  
5     Wisconsin retirement system (suggested as remedial legislation by the  
6     department of employee trust funds); death benefit eligibility under the  
7     Wisconsin retirement system (suggested as remedial legislation by the  
8     department of employee trust funds); payment of death benefits as a lump sum  
9     payment (suggested as remedial legislation by the department of employee  
10    trust funds); payment of death benefits under the Wisconsin retirement system  
11    (suggested as remedial legislation by the department of employee trust funds);  
12    participation in the Wisconsin retirement system for visiting faculty at the  
13    University of Wisconsin System (suggested as remedial legislation by the  
14    department of employee trust funds); rule-making authority of the secretary  
15    of employee trust funds (suggested as remedial legislation by the department  
16    of employee trust funds); powers and duties of the group insurance board  
17    (suggested as remedial legislation by the department of employee trust funds);  
18    procedures for obtaining life insurance coverage under the group life insurance  
19    plan administered by the department of employee trust funds (suggested as  
20    remedial legislation by the department of employee trust funds); life insurance  
21    offered to participating employees in the Wisconsin retirement system  
22    (suggested as remedial legislation by the department of employee trust funds);  
23    authority of the group insurance board (suggested as remedial legislation by  
24    the department of employee trust funds); benefit assignments under the  
25    Wisconsin retirement system (suggested as remedial legislation by the



1 department of employee trust funds); designation of beneficiaries under the  
2 Wisconsin retirement system (suggested as remedial legislation by the  
3 department of employee trust funds); death benefits provided under the  
4 Wisconsin retirement system (suggested as remedial legislation by the  
5 department of employee trust funds) and granting rule-making authority.

*AN OMNIBUS measure affecting the  
provision and administration of benefits provided to participants in the  
WISCONSIN retirement system*

**Analysis by the Legislative Reference Bureau**

**\*\*\* ANALYSIS FROM -1564/P1 \*\*\***

Current law permits the making of additional contributions by participants in the Wisconsin retirement system (WRS). These contributions are in addition to the employer and employee required contributions to the WRS. Additional contributions may be used to purchase an annuity at the time of retirement. This bill specifies that there are two different kinds of additional contributions that may be made by participants to the WRS: after-tax additional contributions made under section 401 (a) of the Internal Revenue Code (IRC); and tax-deferred additional contributions made under section 403 (b) of the IRC.

Under current law, any participant in the WRS, subject to rules promulgated by the secretary of employee trust funds, may elect as a payout option for a deferred compensation plan established by the deferred compensation board or a plan established by his or her employer, if his or her employer is a local government employer, to have the entire balance treated as an additional contribution to the fixed annuity division of the employee trust fund. (To date, the rules have not been promulgated.) This bill provides that this option is available only for a deferred compensation plan established by the deferred compensation board.

The bill also specifies that the deferred compensation board must serve as trustee of any deferred compensation plan it establishes and must hold the assets and income of the plan in trust for the exclusive benefit of the employees who participate in the plan and their beneficiaries.

Under current law, a participating employee in the WRS may purchase creditable service that he or she may have forfeited in the past. In addition, a participating employee may purchase creditable service under the WRS for service as an employee of the federal government or for service as an employee of an employer that was not covered under the WRS during the period in which the service was performed, but that subsequently became an employer under the WRS. In order to purchase such service, the employee must have at least three continuous years of creditable service under the WRS at the time of application and the number of years that an employee may purchase may not exceed the lesser of ten years or the number of years of creditable service that the employee has at the time of application.

This bill provides that the employee must have at least three continuous years of creditable *current* service under the WRS at the time of application. Under current

law, creditable *current* service is defined as "the creditable service granted for service performed for a participating employer and for which a participating employee receives earnings after the effective date of participation for that employer."

In addition, the bill provides that creditable service previously purchased by a participating employee may not be used to determine the maximum amount of service that a participating employee may purchase.

Under current law, the department of employee trust funds (DETF) may retain out of any person's annuity or benefit an amount that DETF has determined was paid to the person as a result of misrepresentation, fraud, or error. This bill authorizes DETF to secure these inadvertently paid moneys by a lien against the person's account in the employee accumulation reserve of the employee trust fund and any annuity, benefit, or obligation of the employee trust fund that is payable or will become payable to the person or the person's beneficiaries.

Currently, under certain conditions, a participating employee under the WRS may receive one year of creditable service under the WRS for each year of military service, up to a maximum of four years of military service credit. However, the participant may not receive military service credits for military service that is used for the purpose of establishing entitlement to a retirement benefit that is paid by the federal government, other than for the nonregular military service program.

This bill provides the new statutory cross-reference to the U.S. Code provision referring to the nonregular military service program.

For further information, see the NOTES provided by the law revision committee of the joint legislative council.

\*\*\* ANALYSIS FROM -1567/P1 \*\*\*

Under current law, a participating employee under the Wisconsin retirement system (WRS) may receive creditable military service under the WRS for each year of military service, up to a maximum of four years of military service credit, provided certain conditions are met. If the participant's military service was performed before 1974, the participant may receive up to one, two, three, or four years of military service credit if the participant has at least five, ten, fifteen, or twenty years, respectively, of creditable service (not counting previously granted military service credit). This bill clarifies that not more than one year of creditable service may be earned by a participant in any year for the purpose of receiving creditable military service.

For further information, see the NOTES provided by the law revision committee of the joint legislative council.

\*\*\* ANALYSIS FROM -1568/P1 \*\*\*

Under current law, a participating employee under the Wisconsin retirement system (WRS) may receive one year of creditable military service under the WRS for each year of military service, up to a maximum of four years of military service credit, at the time of retirement in either of the following ways:

1. If the participant left employment covered under the WRS to enter military service and returned to the same employer within 180 days after being discharged, the participant may receive one year of military service credit for each year of military service (regardless of the amount of the participant's creditable service).

2. If the participant's military service was performed before 1974, the participant may receive up to one, two, three, or four years of military service credit if the participant has at least five, ten, fifteen, or twenty years, respectively, of creditable service (not counting previously granted military service credit). Under current law, the crediting of creditable military service under this item 2. occurs on the date on which the participant attains five, ten, fifteen, or twenty years of creditable service.

This bill provides that the crediting of creditable military service under item 2. above continues to occur on the date on which the participant attains five, ten, fifteen, or twenty years of creditable service, except that, if a participant would receive an higher benefit, the creditable military service must be allocated according to the amount of creditable service that is credited to the participant's account on the date on which the participant terminates participating employment.

For further information, see the NOTES provided by the law revision committee of the joint legislative council.

**\*\*\* ANALYSIS FROM -1570/P1 \*\*\***

Under current law, other than the first \$5,000 of additional contributions that are attributable to a Wisconsin retirement system (WRS) death benefit, additional contributions of a participant in the WRS may be made to the fixed annuity division of the public employee trust fund (division) by rollover contribution of a payment or distribution from a pension or annuity qualified under the Internal Revenue Code. This bill permits the first \$5,000 of additional contributions that are attributable to a WRS death benefit to be made to the division.

For further information, see the NOTES provided by the law revision committee of the joint legislative council.

**\*\*\* ANALYSIS FROM -1571/P1 \*\*\***

Under current law, a participant in the Wisconsin retirement system (WRS) may elect, as a payout option, to have his or her deferred compensation balance treated as an additional contribution under the WRS. Additional contributions under the WRS may be used to increase a WRS annuity. This bill specifies that this option is only available for state employees who participate in the Wisconsin deferred compensation program.

For further information, see the NOTES provided by the law revision committee of the joint legislative council.

**\*\*\* ANALYSIS FROM -1572/P1 \*\*\***

Under current law, a potential primary beneficiary of a participant under the Wisconsin retirement system, other than an estate, who has not applied for any benefit payable as a result of the death of the participant and whom the department of employee trust funds (DETF) cannot locate by reasonable efforts within one year after the death of the participant is presumed to have predeceased the participant and all other potential beneficiaries. Thereafter, if DETF is unable to locate any resulting subsequent beneficiary within six months, all beneficiaries are presumed to have predeceased the participant, and DETF must pay benefits to the participant's estate. This bill changes the time period from *one year after* the death of the participant to *one year after DETF learns of* the death of the participant.

For further information, see the NOTES provided by the law revision committee of the joint legislative council.

**\*\*\* ANALYSIS FROM -1573/P1 \*\*\***

Under current law, an account in the Wisconsin retirement system (WRS) is considered abandoned if the department of employee trust funds (DETF) cannot locate the participant before the date on which the participant attains, or would have attained, the age of 70. However, if the participant subsequently applies for retirement benefits before attaining the age of 80, DETF must restore any participant's account. This bill eliminates the provision that allows a participant to have his or her account restored if he or she applies for retirement benefits before attaining the age of 80.

Under current law, DETF is required to publish notice in the official state newspaper of the names of all WRS participants who are presumed to have died intestate or whose accounts are presumed to be abandoned. At the end of the fifth calendar year after which the notice is published, the unclaimed moneys are transferred to the employer accumulation reserve to reduce future funding requirements of the WRS. This bill requires that the moneys must be transferred at the end of the calendar year in which the notice is published.

For further information, see the NOTES provided by the law revision committee of the joint legislative council.

**\*\*\* ANALYSIS FROM -1574/P1 \*\*\***

This bill provides that the factors that are used to calculate a participant's retirement benefits under the Wisconsin retirement system (WRS) are subject to correction for seven years after the date that the department of employee trust funds (DETF) calculates the participant's benefits. In addition, the bill provides that individual premium and benefit payments are subject to correction for seven years after the premium is due or the benefit is made, whichever is applicable, and that a contribution correction may occur as a result of a decision of DETF to classify a participant as a protective occupation participant. Finally, the bill provides that any employer under the WRS who employed teacher participants who were members of the state teachers retirement system shall pay the state all employer required contributions, plus interest at the effective rate on the accumulations, that would have been paid for the teacher participants under the state teachers retirement system.

For further information, see the NOTES provided by the law revision committee of the joint legislative council.

**\*\*\* ANALYSIS FROM -1575/P1 \*\*\***

Under current law, the department of employee trust funds (DETF) may refund any moneys to any person who has paid the moneys in error into the public employee trust fund. However, DETF may not pay interest on any such refund. This bill authorizes DETF to pay interest on the refunded moneys at a rate of interest that is established by rule.

Under current law, with respect to certain annuity underpayments under the Wisconsin retirement system, DETF is required to pay interest to an annuitant at a rate of 0.4% interest for each month during the period in which the underpayment

occurred. This bill provides that DETF must pay interest at a rate of interest that is established by rule.

For further information, see the NOTES provided by the law revision committee of the joint legislative council.

**\*\*\* ANALYSIS FROM -1576/P1 \*\*\***

This bill makes several changes regarding the timing of the distributions of benefits under the Wisconsin retirement system so as to bring the timing of the distributions in compliance with the Internal Revenue Code.

For further information, see the NOTES provided by the law revision committee of the joint legislative council.

**\*\*\* ANALYSIS FROM -1577/P1 \*\*\***

Under current law, one of the conditions that a participant in the Wisconsin retirement system (WRS) must meet in order to qualify for a WRS annuity is that the participant must be separated until his or her annuity effective date, the date 30 days after an annuity application is received by the department of employee trust funds, or the date 30 days after separation, whichever is latest, from all participating employment. This bill provides that if a participant does not meet this condition the participant may not receive any benefit provided under the WRS for which the receipt of an annuity is a condition.

For further information, see the NOTES provided by the law revision committee of the joint legislative council.

**\*\*\* ANALYSIS FROM -1578/P1 \*\*\***

Under current law, in the Wisconsin retirement system, if an application, by a participant age 55 or over, or by a protective occupation participant age 50 or over, for any disability annuity is disapproved, the date that would have been the disability annuity effective date shall be the retirement annuity effective date if so requested by the applicant within 60 days of the disapproval or, if the disapproval is appealed, within 60 days of final disposition of the appeal.

This bill provides that, if the application is withdrawn or denied within six months from the date that the department of employee trust funds receives the application, the date that would have been the disability annuity effective date shall be the retirement annuity effective date if so requested by the applicant within 60 days of the date of withdrawal or denial or, if the denial is appealed, within 60 days of final disposition of the appeal.

For further information, see the NOTES provided by the law revision committee of the joint legislative council.

**\*\*\* ANALYSIS FROM -1579/P1 \*\*\***

This bill provides that, for the purposes of death benefit eligibility under the Wisconsin retirement system (WRS), every participant in the WRS is considered an annuitant upon the later of the following:

1. The effective date of the participant's annuity.
2. The date the application for an annuity is received by the department of employee trust funds, but only if the participant is living on that date.

This bill simply restates the current law requirement.

For further information, see the NOTES provided by the law revision committee of the joint legislative council.

**\*\*\* ANALYSIS FROM -1580/P1 \*\*\***

This bill permits the department of employee trust funds (DETF), if required under federal law, to distribute a participant's death benefits as a lump sum payment even if the participant provided written notice to DETF before his or her death that the benefit should not be distributed as a lump sum payment.

For further information, see the NOTES provided by the law revision committee of the joint legislative council.

**\*\*\* ANALYSIS FROM -1581/P1 \*\*\***

This bill specifies that the number of guaranteed death benefit payments that are payable to a beneficiary of a participant in the Wisconsin retirement system may not exceed the life expectancy of the beneficiary.

For further information, see the NOTES provided by the law revision committee of the joint legislative council.

**\*\*\* ANALYSIS FROM -1582/P1 \*\*\***

Under current law affecting the Wisconsin retirement system (WRS), any person who is a visiting professor, associate professor, assistant professor, or instructor employed by the University of Wisconsin (UW) System and whose employment with the UW System is all within 12 consecutive months may not participate in the WRS. This bill eliminates this prohibition.

For further information, see the NOTES provided by the law revision committee of the joint legislative council.

**\*\*\* ANALYSIS FROM -1587/P1 \*\*\***

Under current law, the secretary of employee trust funds must promulgate, with the approval of the group insurance board, all rules required for the administration of the group health, long-term care, income continuation, and life insurance plans established under certain subchapters of chapter 40 of the statutes. This bill expands this duty to promulgating rules for the administration of the group health, long-term care, income continuation, life insurance, and other insurance plans established under all of chapter 40 of the statutes.

For further information, see the NOTES provided by the law revision committee of the joint legislative council.

**\*\*\* ANALYSIS FROM -1588/P1 \*\*\***

Under current law, the secretary of employee trust funds is required to promulgate, with the approval of the group insurance board, all rules required for the administration of the group health, long-term care, income continuation, and life insurance plans provided by the group insurance board. This bill specifically provides that the group insurance board shall approve or reject all rules proposed by the secretary of employee trust funds.

For further information, see the NOTES provided by the law revision committee of the joint legislative council.

**\*\*\* ANALYSIS FROM -1589/P1 \*\*\***

Under current law, to be insured under the group life insurance plan administered by the department of employee trust funds (DETF), an eligible

employee must file an application with DETF. This bill requires that the application be filed in the manner provided by rule or contract.

For further information, see the NOTES provided by the law revision committee of the joint legislative council.

**\*\*\* ANALYSIS FROM -1591/P1 \*\*\***

Currently, with respect to life insurance benefits offered to participating employees in the Wisconsin retirement system, an employee must apply for the insurance coverage within 6 months after becoming eligible for coverage. If the employee does not apply for life insurance coverage within the 6-month period, the employee may subsequently be covered under the life insurance program only if he or she is under 55 and furnishes evidence of insurability satisfactory to the insurer, at his or her own expense. This bill provides that the employee must apply for the insurance coverage within a time period specified by rule or contract after becoming eligible for coverage. In addition, the bill eliminates the requirement that the employee must be under 55 if he or she subsequently wishes to apply for life insurance outside of the permissible time period established by rule or contract.

For further information, see the NOTES provided by the law revision committee of the joint legislative council.

**\*\*\* ANALYSIS FROM -1593/P1 \*\*\***

Under current law, the group insurance board is authorized to hear appeals of determinations made by the department of employee trust funds affecting group insurance plans. This bill requires the group insurance board to hear such appeals.

For further information, see the NOTES provided by the law revision committee of the joint legislative council.

**\*\*\* ANALYSIS FROM -1594/P1 \*\*\***

Current law provides that no participant, beneficiary or distributee of any estate may waive the right to or the payment of all or any portion of any benefit under the Wisconsin retirement system (WRS) or under a program administered by the department of employee trust funds (DETF).

This bill provides that no participant, alternate payee, beneficiary, or personal representative of any estate may conditionally or partially waive any portion of a benefit under the WRS or under a program administered by DETF if the implementation of the waiver, or monitoring of benefits under the waiver, would require "special administration" by DETF.

For further information, see the NOTES provided by the law revision committee of the joint legislative council.

**\*\*\* ANALYSIS FROM -1596/P1 \*\*\***

Under current law, the department of employee trust funds (DETF) may not be required by a court order, or by any other action or proceeding, to enforce or otherwise monitor the beneficiary designation specified in a qualified domestic relations order (QDRO). A QDRO is a judgment, decree, or order issued by a court pursuant to a domestic relations law of any state or territory of the United States, that meets certain requirements. This bill provides that DETF may not be required by a court order, or by any other action or proceeding, to enforce or otherwise monitor any beneficiary designation filed with DETF.

For further information, see the NOTES provided by the law revision committee of the joint legislative council.

**\*\*\* ANALYSIS FROM -1597/P1 \*\*\***

Under the Wisconsin retirement system (WRS), if a participating employee dies before he or she would be eligible to receive an annuity his or her death benefit equals the sum of his or her additional contribution accumulations and twice his or her employee required contribution accumulations. For a participating employee who has purchased WRS service based on his or her other governmental employment, this bill reduces the amount of the death benefit by the amount that the employee paid for the additional WRS service.

For further information, see the NOTES provided by the law revision committee of the joint legislative council.

This bill will be referred to the joint survey committee on retirement systems for a detailed analysis, which will be printed as an appendix to this bill.

For further information see the *state and local* fiscal estimate, which will be printed as an appendix to this bill.

*The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:*

LAW REVISION COMMITTEE PREFATORY NOTE: This bill is a remedial legislation proposal, requested by the department of employee trust funds and introduced by the law revision committee under s. 13.83 (1) (c) 4., stats. After careful consideration of the various provisions of the bill, the law revision committee has determined that this bill makes minor substantive changes in the statutes, and that these changes are desirable as a matter of public policy.

~~\*-1564/P1.1\* \*-2189/P1.1\*~~ SECTION 1. 40.02 (1) of the statutes is amended to read:

40.02 (1) "Accumulation" means the total employee required contributions ~~or~~, employer required contributions ~~or~~, additional contributions, or tax-deferred additional contributions as increased or decreased by application of investment earnings.

NOTE: The definition is amended to specify that it includes both after-tax additional contributions and tax-deferred (pre-tax) additional contributions.

~~\*-1564/P1.2\* \*-2189/P1.2\*~~ SECTION 2. 40.02 (2) of the statutes is amended to read:



1           40.02 (2) "Additional contribution" means any after-tax contribution made by  
2 or on behalf of a participant to the retirement system other than employee and  
3 employer required contributions.

~~NOTE: The definition of "additional contribution" is amended to make the term  
refer only to an after-tax contribution. See also the new definition created by SECTION  
7.~~

4           ~~\*-1567/P1.1\*~~ <sup>x</sup> SECTION 3. 40.02 (15) (c) (intro.) of the statutes is amended to  
5 read:

6           40.02 (15) (c) (intro.) ~~Notwithstanding sub. (17) (intro.) and any other law, any~~  
7 Any person who is credited with 5, 10, 15<sub>1</sub> or 20 or more years of creditable service,  
8 not counting any previously granted creditable military service, may receive  
9 creditable military service at the time of retirement for not more than 1, 2, 3<sub>1</sub> or 4  
10 years, respectively, of active service ~~which~~ <sup>that</sup> meets the standards under par. (a) 5.,  
11 provided:

12           ~~\*-1568/P1.1\*~~ SECTION 4. 40.02 (15) (c) 3. of the statutes is amended to read:

13           40.02 (15) (c) 3. Creditable military service under this paragraph shall be  
14 allocated at the time of retirement in proportion to the amount of the participant's  
15 creditable service for each of the types of creditable service set forth in s. 40.23 (2m)  
16 (e) on the date the participant attains 5, 10, 15<sub>2</sub> or 20 years of creditable service, except  
17 that, if a participant would receive an higher benefit, the creditable military service  
18 shall be allocated according to the amount of creditable service that is credited to the  
19 participant's account on the date on which the participant terminates participating  
20 employment and that is used to calculate a benefit under s. 40.23 (2)(b), 40.63 (8) (a),  
21 or 40.73 (1) (c). (2m)(e)

22           ~~\*-1564/P1.3\*~~ <sup>x</sup> ~~\*-2346/1.1\*~~ SECTION 5. 40.02 (15) (c) 4. of the statutes is  
23 amended to read:

1        40.02 (15) (c) 4. This paragraph does not apply to any active service used for  
2        the purpose of establishing entitlement to, or the amount of, any benefit, other than  
3        a disability benefit, to be paid by any federal retirement program except OASDHI  
4        and the retired pay for nonregular military service program under 10 USC ~~1331 to~~  
5        ~~1337~~ 12731 to 12738 or, if the participant makes an election under s. 40.30 (2), by any  
6        retirement system specified in s. 40.30 (2) other than the Wisconsin retirement  
7        system.

NOTE: This change corrects references to the federal tax code's provisions relating  
to military service credit.

8        ~~\*-1564/P1.4\*~~ ~~\*-2189/P1.3\*~~ <sup>X</sup> SECTION 6. 40.02 (38) of the statutes is amended  
9        to read:

10       40.02 (38) "Immediate annuity" means an annuity, not including an annuity  
11       from additional contributions or tax-deferred additional contributions, which begins  
12       to accrue not later than 30 days after termination of employment.

NOTE: The definition of "immediate annuity" is amended to exclude both categories  
of additional contributions.

13       ~~\*-1564/P1.5\*~~ <sup>X</sup> SECTION 7. 40.02 (54v) of the statutes is created to read:

14       40.02 (54v) "Tax-deferred additional contribution" means any contribution  
15       made to the retirement system by a participating employee or an annuitant  
16       employed by an employer as a pre-tax deduction from earnings under section 403 (b)  
17       of the Internal Revenue Code.

NOTE: The new definition of "tax-deferred additional contribution" distinguishes  
these pre-tax contributions from additional (after-tax) contributions.

18       ~~\*-1587/P1.1\*~~ <sup>X</sup> SECTION 8. 40.03 (2) (ig) of the statutes is amended to read:

19       40.03 (2) (ig) Shall promulgate, with the approval of the group insurance board,  
20       all rules required for the administration of the group health, long-term care, income

1 continuation ~~or~~, life insurance, and other insurance plans established under subch.  
2 IV to VI this chapter.

3 ~~\*-1588/P1.1\*~~ <sup>X</sup> SECTION 9. 40.03 (6) (cm) of the statutes is created to read:

4 40.03 (6) (cm) Shall approve or reject all administrative rules proposed by the  
5 secretary under sub. (2) (ig).

6 ~~\*-1593/P1.1\*~~ <sup>X</sup> SECTION 10. 40.03 (6) (i) of the statutes is amended to read:

7 40.03 (6) (i) ~~May~~ Shall accept timely appeals of determinations made by the  
8 department affecting any right or benefit under any group insurance plan provided  
9 for under this chapter.

10 ~~\*-1564/P1.6\*~~ ~~\*-2189/P1.5\*~~ <sup>ψ</sup> SECTION 11. 40.04 (4) (a) 1. of the statutes is  
11 amended to read:

12 40.04 (4) (a) 1. Credited with all employee contributions made under s. 40.05  
13 (1), all employer additional contributions made under s. 40.05 (2) (g) 1., all additional  
14 contributions under s. 40.05 (2) (g) 2., all tax-deferred additional contributions  
15 under s. 40.05 (1) (a) 5m., and all contribution accumulations reestablished under  
16 s. 40.26 or 40.63 (10).

NOTE: SECTIONS 11 to 15 amend provisions relating to the accounting of  
contributions to ~~create separate accounting for each category of additional contributions.~~

17 ~~\*-1564/P1.7\*~~ <sup>ψ</sup> SECTION 12. 40.04 (4) (a) 2. of the statutes ~~as affected by 1999-~~  
18 ~~Wisconsin Act 11~~ is amended to read:

19 40.04 (4) (a) 2. Credited as of each December 31 with interest on the prior year's  
20 closing balance at the effective rate on all employee required contribution  
21 accumulations in the variable annuity division, on all employee required  
22 contributions in the fixed annuity division on December 31, 1984, on all employee  
23 required contributions in the fixed annuity division of participants who are not

1 participating employees after December 31, 1984, and on all employee and employer  
2 additional contribution accumulations, and on all tax-deferred additional  
3 contribution accumulations and with interest on the prior year's closing balance at  
4 the assumed benefit rate on all employee required contribution accumulations in the  
5 fixed annuity division for participants who are participating employees after  
6 December 31, 1984, but who terminated covered employment before December 30,  
7 1999.

8 ~~\*-1564/P1.8\*~~ ~~\*-2189/P1.7\*~~ SECTION 13. 40.04 (7) (intro.) of the statutes is  
9 amended to read:

10 40.04 (7) (intro.) The reserves established under subs. (4), (5), and (6) shall be  
11 divided both individually and for the purposes of sub. (3) between a fixed annuity  
12 division and a variable annuity division. All required and, additional, and  
13 tax-deferred additional contributions shall be credited to the fixed annuity division  
14 except:

15 ~~\*-1564/P1.9\*~~ ~~\*-2189/P1.8\*~~ SECTION 14. 40.04 (7) (a) (intro.) of the statutes is  
16 amended to read:

17 40.04 (7) (a) (intro.) As otherwise elected by a participant prior to April 30,  
18 1980, or on or after January 1, 2001. Any participant who was a participant prior  
19 to April 30, 1980, and whose accounts on January 1, 1982, include credits segregated  
20 for a variable annuity shall have his or her required and, additional, and  
21 tax-deferred additional contributions made on or after January 1, 1982, credited to  
22 the variable annuity division in a manner consistent with the participant's election  
23 prior to April 30, 1980, unless prior to January 1, 1982, the participant terminated  
24 such election under s. 40.85, 1979 stats. Any participant who elects or has elected  
25 to have any of his or her credits segregated for a variable annuity on or after January

1 1, 2001, shall have 50% of his or her required ~~and, additional, and tax-deferred~~  
2 additional contributions made on or after the date of election credited to the variable  
3 annuity division. The department shall by rule provide that any participant who  
4 elects or has elected variable participation prior to April 30, 1980, or on or after  
5 January 1, 2001, may elect to cancel that variable participation as to future  
6 contributions. The department's rules shall permit a participant who elects or has  
7 elected to cancel variable participation as to future contributions, or an annuitant,  
8 to elect to transfer previous variable contribution accumulations to the fixed annuity  
9 division. A transfer of variable contribution accumulations under this paragraph  
10 shall result in the participant receiving the accrued gain or loss from the  
11 participant's variable participation. A participant may specify that election to cancel  
12 participation in the variable annuity division is conditional. If the participant so  
13 specifies the election is effective on the first date on which it may take effect on which  
14 the participant:

15 ~~\*-1564/P1.10\*~~ ~~\*-2189/P1.9\*~~ SECTION 15. 40.04 (7) (c) of the statutes is  
16 amended to read:

17 40.04 (7) (c) Any participant whose required contributions are segregated in  
18 any portion to provide for a variable annuity may direct that any part or all of  
19 subsequent additional and tax-deferred additional contributions credited to the  
20 participant's account be segregated to provide for a variable annuity and may at any  
21 time by filing a form prescribed by the department change the portion being  
22 segregated for any future additional and tax-deferred additional contributions.

23 ~~\*-1564/P1.11\*~~ ~~\*-2189/P1.10\*~~ SECTION 16. 40.05 (1) (a) <sup>5</sup>5m. of the statutes is  
24 created to read:

1           40.05 (1) (a) 5m. Tax-deferred additional contributions may be made by any  
2     participating employee of, or an annuitant employed by, an employer that had at  
3     least one employee who made such contributions to the Wisconsin retirement system  
4     or its predecessor systems under s. 42.30 (3), 1979 stats., on or before May 17, 1982.  
5     The making of contributions under this subdivision shall be subject to any  
6     limitations imposed on contributions by the Internal Revenue Code, applicable  
7     regulations adopted under the Internal Revenue Code and rules of the department.  
8     The participating employee and the employer are solely responsible for determining  
9     the amount of contributions that may be made to the retirement system under this  
10    subdivision and monitoring the annual contributions for compliance with any  
11    limitations imposed on contributions by the Internal Revenue Code, applicable  
12    regulations adopted under the Internal Revenue Code and rules of the department.

NOTE: The amended provision clarifies that only participating employees of eligible employers may make tax-deferred additional contributions, and the responsibility for determining the amount of contributions that can be made is the responsibility of the employees and employers, not the Wisconsin Retirement System.

13       \*~~1570/PL1~~\* SECTION 17. 40.05 (1) (a) 6. of the statutes is amended to read:  
14       40.05 (1) (a) 6. Under the rules promulgated under s. 40.03 (2) (r), additional  
15     contributions, ~~other than the first \$5,000 of contributions, or a beneficiary's prorated~~  
16     ~~share thereof, that are attributable to a death benefit paid under s. 40.73, may be~~  
17     made to the fixed annuity division by any participant, or to the variable annuity  
18     division for any participant whose accounts include credits segregated for a variable  
19     annuity, by rollover contribution of a payment or distribution from a pension or  
20     annuity qualified under section 401 of the ~~internal revenue code~~ Internal Revenue  
21     Code, subject to any limitations imposed on contributions by the ~~internal revenue~~  
22     ~~code~~ Internal Revenue Code, applicable regulations adopted under the ~~internal~~  
23     ~~revenue code~~ Internal Revenue Code and rules of the department.

1       ~~\*-1564/P1.12\*~~ ~~\*-2189/P1.11\*~~ <sup>X</sup> SECTION 18. 40.05 (1) (a) 7. of the statutes is  
2 amended to read:

3       40.05 (1) (a) 7. Subject to any applicable limitations under the ~~internal revenue~~  
4 ~~code~~ Internal Revenue Code, a participating employee may elect to use part or all of  
5 his or her ~~accumulated after-tax~~ additional contributions, including interest, made  
6 under subd. 5., ~~other than contributions treated by the department as contributions~~  
7 ~~to a tax sheltered annuity under section 403 (b) of the internal revenue code~~, to  
8 purchase creditable service under this chapter.

NOTE: The amendment to this provision removes references relating to use of  
accumulated after-tax additional contributions to purchase creditable service. The  
amended provision refers to "additional contributions" which are defined as after-tax  
contributions.

9       ~~\*-1564/P1.13\*~~ ~~\*-2343/P1.1\*~~ <sup>X</sup> SECTION 19. 40.05 (2) (g) 2. of the statutes is  
10 amended to read:

11       40.05 (2) (g) 2. Under the rules promulgated under s. 40.03 (2) (r), a participant  
12 may, as a payout option for the deferred compensation plan established under ~~subch.~~  
13 ~~VII s. 40.80~~, <sup>✓</sup> elect to have the entire balance in the participant's account under ~~subch.~~  
14 ~~VII s. 40.80~~ <sup>✓</sup> treated as an additional contribution to the fixed annuity division,  
15 subject to any limitations imposed on contributions by the ~~internal revenue code~~  
16 Internal Revenue Code, applicable regulations adopted under the ~~internal revenue~~  
17 ~~code~~ Internal Revenue Code and rules of the department. Additional contributions  
18 under this subdivision shall be available for all benefit purposes and shall be  
19 administered and invested on the same basis as employee additional contributions.  
20 except that ss. 40.24 (1) (f) and 40.25 (4) do not apply to additional contributions  
21 under this subdivision and s. 40.26 <sup>✓</sup> does not apply to an annuity received from  
22 additional contributions under this subdivision.

NOTE: This amendment clarifies that the provision relates only to the deferred compensation program established under s. 40.80, stats., for state employees, not to other deferred compensation programs that may be established by an employer under s. 40.81, stats.

~~\*-1571/P1.1\*~~ SECTION 20. 40.05 (2) (g) 2. of the statutes is amended to read:

40.05 (2) (g) 2. Under the rules promulgated under s. 40.03 (2) (r), a participant may, as a payout option for the deferred compensation plan established under ~~subch. VII s. 40.80~~, elect to have the entire balance in the participant's account under ~~subch. VII s. 40.80~~ treated as an additional contribution to the fixed annuity division, subject to any limitations imposed on contributions by the internal revenue code, applicable regulations adopted under the internal revenue code and rules of the department. Additional contributions under this subdivision shall be available for all benefit purposes and shall be administered and invested on the same basis as employee additional contributions, except that ss. 40.24 (1) (f) and 40.25 (4) do not apply to additional contributions under this subdivision and s. 40.26 does not apply to an annuity received from additional contributions under this subdivision.

~~\*-1574/P1.1\*~~ SECTION 21. 40.06 (8) of the statutes is created to read:

40.06 (8) Any employer who employed teacher participants who were members of the state teachers retirement system shall pay the state all employer required contributions, plus interest at the effective rate on the accumulations, that would have been paid for the teacher participants under the state teachers retirement system.

~~\*-1594/P1.1\*~~ SECTION 22. 40.08 (1) of the statutes is amended to read:

40.08 (1) EXEMPTIONS. The benefits payable to, or other rights and interests of, any member, participant, alternate payee, beneficiary, or distributee personal representative of any estate under any of the benefit plans administered by the department, including insurance payments, shall be exempt from any tax levied by



1 the state or any subdivision of the state and shall not be assignable, either in law or  
2 equity, or be subject to execution, levy, attachment, garnishment, or other legal  
3 process except as specifically provided in this section; except that, notwithstanding  
4 s. 40.01 (2), the department of revenue may attach benefit payments to satisfy  
5 delinquent tax obligations. The board and any member or agent thereof and the  
6 department and any employee or agent thereof are immune from civil liability for  
7 any act or omission while performing official duties relating to withholding any  
8 annuity payment under this subsection. The exemption from taxation under this  
9 section shall not apply with respect to any tax on income.

10 ~~\*-1594/P1.2\*~~ <sup>✓</sup> SECTION 23. 40.08 (3) of the statutes is renumbered 40.08 (3) (a)  
11 and amended to read:

12 40.08 (3) (a) ~~Any~~ <sup>✓</sup> Subject to par. (b), any participant, alternate payee,  
13 beneficiary, or distributee personal representative of any estate may waive,  
14 absolutely and without right of reconsideration or recovery, the right to or the  
15 payment of all or any portion of any benefit ~~payable or to become payable~~ under this  
16 chapter. The waiver shall be effective on the first day of the 2nd month commencing  
17 after it is received by the department or on the date specified in the waiver if later.

18 ~~\*-1594/P1.3\*~~ <sup>✓</sup> SECTION 24. 40.08 (3) (b) of the statutes is created to read:

19 40.08 (3) (b) No participant, alternate payee, beneficiary, or personal  
20 representative of any estate may conditionally or partially waive any portion of any  
21 benefit under this chapter if the implementation of the waiver, or monitoring of  
22 benefits under the waiver, would require special administration by the department.

23 ~~\*-1564/P1.14\*~~ ~~\*-2345/P1.1\*~~ <sup>✓</sup> SECTION 25. 40.08 (4) of the statutes is repealed  
24 and recreated to read:

1           40.08 (4) REIMBURSEMENTS OF MONEYS PAID AS A RESULT OF MISREPRESENTATION,  
2 FRAUD, OR ERROR. (a) If the department has paid any money to a person or estate as  
3 a result of misrepresentation, fraud, or error, the department shall determine the  
4 amount of such payment and shall require that the person or estate reimburse the  
5 department for this amount, plus interest at the rate established by the department  
6 by rule.

7           (b) If the department determines that any money has been paid to a person or  
8 estate as a result of misrepresentation, fraud, or error, the department shall notify  
9 the person or the personal representative or special administrator of the person's  
10 estate by certified mail of this determination. The department shall send the notice  
11 to the last-known address of the person or the personal representative or special  
12 administrator of the person's estate. The notice shall inform the person of his or her  
13 right to a timely appeal. The notice must be sent within 7 years from the date that  
14 the department first acquires actual notice of the alleged misrepresentation, fraud,  
15 or error.

16           (c) The sending of the notice by the department under par. (b) shall constitute  
17 a lien against the person's separate account under s. 40.04 (4) (a) and any annuity,  
18 benefit, or obligation of the employee trust fund that is payable or will become  
19 payable to the person or the person's beneficiaries. This lien takes precedence over  
20 all other withholdings, liens, or encumbrances, whenever perfected, against the  
21 person's separate account under s. 40.04 (4) (a) and any annuity, benefit, or obligation  
22 of the employee trust fund that is payable or will become payable to the person or the  
23 person's beneficiaries.

24           (d) Subject to sub. (10), the department may do any of the following to provide  
25 for reimbursement of the amount or any portion of the amount due under par. (a):

1           1. Obtain voluntary repayment from the person or estate within a reasonable  
2           period, as determined by the department.

3           2. Foreclose on the lien against the person's separate account under s. 40.04 (4)  
4           (a) or any annuity, benefit, or obligation of the employee trust fund that is payable  
5           or will become payable to the person or the person's beneficiaries. In foreclosing on  
6           this lien, the department may retain the amount or portion of the amount out of any  
7           annuity, benefit, or obligation of the employee trust fund that is payable or will  
8           become payable to the person or the person's beneficiaries or may permanently  
9           reduce the person's annuity by the actuarial present value of the amount or portion  
10          of the amount that is due under par. (a). If the department forecloses on the lien, the  
11          department shall notify, by regular mail, the person or personal representative or  
12          special administrator of the person's estate of the foreclosure as soon as practical.

13          3. Request that an employer withhold the amount or any portion of the amount  
14          from any sum payable by the employer to any person or estate. If an employer  
15          receives such a request, the employer shall withhold and remit the amount to the  
16          department.

17          4. Bring a civil action against the person or estate for the amount or any portion  
18          of the amount that is not otherwise recovered by the department.

19          (e) Any amount that is reimbursed to the department under par. (d) shall be  
20          credited to the appropriate benefit plan accounts.

NOTE: This provision repeals and recreates a provision that allows the department of employee trust funds to collect any amount owed for benefits paid through misrepresentation or fraud or error. The current provision does not provide that the amounts owed become a statutory lien. Therefore, any debts to the trust fund are unsecured and can be discharged in bankruptcy. The amended provision will provide the department with a mechanism to secure obligations to the trust fund with a lien against other benefits also administered by the department, if the department has paid the money to a person or an estate as a result of misrepresentation, fraud, or error. A notice of the fact that money has been paid to a person or an estate as a result of misrepresentation, fraud, or error, constitutes a lien against the person's account and any

annuity, benefit, or obligation that the trust fund pays or will pay to the person or the person's beneficiary.

1 ~~\*-1575/P1.1\*~~ <sup>x</sup> SECTION 26. 40.08 (6) (e) of the statutes is repealed and recreated  
2 to read:

3 40.08 (6) (e) In accordance with rules promulgated by the department, and at  
4 a rate of interest established by rule, the department may credit interest on moneys  
5 refunded or credited under this subsection.

6 ~~\*-1564/P1.15\*~~ ~~\*-2189/P1.12\*~~ <sup>x</sup> SECTION 27. 40.08 (7) (a) of the statutes is  
7 amended to read:

8 40.08 (7) (a) Any overpayment or underpayment of a lump-sum payment  
9 under s. 40.25 or a death benefit which is less than 60% of the amount specified in  
10 s. 40.25 (1) (a) rounded to the next highest dollar amount, and any annuity payment  
11 error which is less than \$2 per month may not be corrected but shall be credited or  
12 debited to the employer accumulation reserve or the appropriate insurance account.  
13 However, if the amount of unapplied additional contributions or tax-deferred  
14 additional contributions would increase an annuity payment by less than \$2 but is  
15 more than 60% of the amount specified in s. 40.25 (1) (a) rounded to the next highest  
16 dollar amount, the unapplied additional contributions or tax-deferred additional  
17 contributions shall be paid to the annuitant as a lump sum.

NOTE: This provision, relating to overpayments and underpayments, is amended  
to recognize that the provisions apply to both categories of additional contributions.

18 ~~\*-1575/P1.2\*~~ <sup>x</sup> SECTION 28. 40.08 (7) (c) of the statutes is amended to read:  
19 40.08 (7) (c) If In accordance with rules promulgated by the department, and  
20 at a rate of interest established by rule, if an annuity underpayment exceeding  
21 exceeds the limits in par. (a) ~~has not been corrected for at least 12 months,~~ the  
22 payment to the annuitant to correct the underpayment shall include 0.4% interest

1 on the amount of the underpayment ~~for each full month during the period beginning~~  
2 ~~on the date on which the underpayment occurred and ending on the date on which~~  
3 ~~the underpayment is corrected.~~

4 ~~\*-1572/P1.1\*~~ <sup>X</sup> SECTION 29. 40.08 (8) (a) 1. of the statutes is amended to read:

5 40.08 (8) (a) 1. Any potential primary beneficiary under s. 40.02 (8), other than  
6 an estate, who has not applied for any benefit payable under this chapter as a result  
7 of the death of the participant and whom the department cannot locate by reasonable  
8 efforts, as determined by the department by rule, within one year after the  
9 department learns of the death of the participant shall be presumed to have  
10 predeceased the participant and all other potential beneficiaries. Thereafter, if the  
11 department is unable to locate any resulting subsequent beneficiary within 6  
12 months, all beneficiaries under s. 40.02 (8) (a) 1. and 2. shall be presumed to have  
13 predeceased the participant, and the department shall pay all benefits payable  
14 under this chapter as a result of the death of the participant to the participant's  
15 estate in a lump sum.

16 ~~\*-1572/P1.2\*~~ <sup>X</sup> SECTION 30. 40.08 (8) (a) 2. of the statutes is amended to read:

17 40.08 (8) (a) 2. If an estate that is determined by the department to be a  
18 beneficiary is closed prior to the payment of benefits payable under this chapter as  
19 a result of the death of the participant, and the estate is not reopened within 6  
20 months after the department notifies the estate that a benefit is payable, the benefit  
21 shall be considered ~~irrevocably~~ abandoned and shall be transferred to the employer  
22 accumulation reserve, unless the estate was the designated beneficiary under s.  
23 40.02 (8) (a) 1.

24 ~~\*-1572/P1.3\*~~ <sup>X</sup> SECTION 31. 40.08 (8) (a) 2m. of the statutes is amended to read:

1           40.08 (8) (a) 2m. If the estate was the designated beneficiary under s. 40.02 (8)  
2           (a) 1., and the estate is closed prior to the payment of benefits payable under this  
3           chapter as a result of death of the participant, and the estate is not reopened within  
4           6 months after the department notifies the estate that a benefit is payable, the  
5           department shall pay the benefit to a beneficiary as determined under s. 40.02 (8)  
6           (a) 2. If the department is unable to locate any such beneficiary within 6 months, all  
7           such beneficiaries shall be presumed to have predeceased the participant, and the  
8           benefit shall be considered irrevocably abandoned and shall be transferred to the  
9           employer accumulation reserve.

10           ~~\*1573/P1.1\*~~ <sup>X</sup> SECTION 32. 40.08 (8) (a) 3. of the statutes is amended to read:  
11           40.08 (8) (a) 3. A participant, other than a participating employee or annuitant,  
12           whom the department cannot locate by reasonable efforts, with such efforts  
13           beginning by the end of the month in which the participant attains, or would have  
14           attained, the age of 65, shall be considered to have abandoned all benefits under the  
15           Wisconsin retirement system on the date on which the participant attains, or would  
16           have attained, the age of 70. ~~The department shall close the participant's account~~  
17           ~~and shall transfer the moneys in the account to the employer accumulation reserve.~~  
18           ~~The department shall restore the participant's account and shall debit the employer~~  
19           ~~accumulation reserve accordingly if the participant subsequently applies for~~  
20           ~~retirement benefits under this chapter before attaining the age of 80.~~

21           ~~\*1573/P1.2\*~~ <sup>X</sup> SECTION 33. 40.08 (8) (a) 4. of the statutes is amended to read:  
22           40.08 (8) (a) 4. The former spouse of a participant who is an alternate payee  
23           and whom the department cannot locate by reasonable efforts, with such efforts  
24           beginning by the end of the month in which the participant attains, or would have  
25           attained, the age of 65, shall be considered to have abandoned all benefits under the

1 Wisconsin retirement system on the date on which the participant attains, or would  
2 have attained, the age of 70. ~~The department shall close the alternate payee's~~  
3 ~~account and shall transfer the moneys in the account to the employer accumulation~~  
4 ~~reserve. The department shall restore the alternate payee's account and shall debit~~  
5 ~~the employer accumulation reserve accordingly if the alternate payee subsequently~~  
6 ~~applies for retirement benefits under this chapter before the participant attains or~~  
7 ~~would have attained the age of 80.~~

8 ~~\*1573/P1.3\*~~ <sup>X</sup> SECTION 34. 40.08 (8) (b) of the statutes is amended to read:

9 40.08 (8) (b) All moneys or credits in an account for a person presumed to have  
10 died intestate, without heirs or beneficiary, or to be abandoned by the person under  
11 par. (a) shall be applied, at the end of the 5th calendar year in which notice is  
12 published under par. (c), to the employer accumulation reserve to reduce future  
13 funding requirements.

14 ~~\*1573/P1.4\*~~ <sup>X</sup> SECTION 35. 40.08 (8) (c) of the statutes is amended to read:

15 40.08 (8) (c) The department shall publish a class 1 notice, under ch. 985, in  
16 the official state paper stating the names of persons presumed to have died intestate,  
17 without heirs or beneficiary, or whose accounts are presumed to be abandoned under  
18 par. (a), and the fact that a benefit will be paid, if applied for within the time limits  
19 under par. (a) (d) and if the participant, alternate payee or other person offers proof  
20 satisfactory to the department that the participant, alternate payee or other person  
21 is entitled to the benefit. Such proof shall include, but is not limited to, evidence that  
22 the participant died and that the person is the beneficiary under s. 40.02 (8).

23 ~~\*1573/P1.5\*~~ SECTION 36. 40.08 (8) (e) of the statutes is amended to read:

24 40.08 (8) (e) Notwithstanding ~~any other provision of the statutes~~ s. 40.02 (8),  
25 any account subject to this subsection may, at the discretion of the department, be

1 settled by any heirs of a deceased participant or beneficiary making application, on  
2 a form approved by the department, certifying the names of any other persons not  
3 known by the applicants to be deceased and known by the applicants to have an equal  
4 or superior claim to the account and certifying that the applicants have no knowledge  
5 of the whereabouts of any of the persons so named.

6 ~~\*1574/P1.2\*~~ <sup>X</sup> SECTION 37. 40.08 (10) of the statutes is renumbered 40.08 (10)  
7 (a) and amended to read:

8 40.08 (10) (a) ~~Service credits granted and contribution, premium and benefit~~  
9 ~~payments made under this chapter are not~~ <sup>✓</sup> Except as provided in par. (b), the factors  
10 that are used to calculate a participant's retirement benefits are subject to correction  
11 unless correction is requested or made prior to the end of 7 full calendar for 7 years  
12 after the date of the alleged error or January 1, 1987, whichever is later that the  
13 department calculates the benefits, unless the alleged error is the result of fraud or  
14 unless another limitation is specifically provided by statute. ~~This subsection does~~  
15 ~~not prohibit correction of purely clerical errors in reporting or recording~~  
16 ~~contributions, service and earnings law.~~

17 ~~\*1574/P1.3\*~~ <sup>X</sup> SECTION 38. 40.08 (10) (b) of the statutes is created to read:

18 40.08 (10) (b) Contribution payments are subject to correction as provided in  
19 a decision under s. 40.06 (1) (e). <sup>✓</sup>

20 ~~\*1574/P1.4\*~~ <sup>X</sup> SECTION 39. 40.08 (10) (c) of the statutes is created to read:

21 40.08 (10) (c) Individual premium and benefit payments are subject to  
22 correction for 7 years after the premium is due or after the benefit is made, whichever  
23 is applicable, unless the alleged error is the result of fraud or unless another  
24 limitation is specifically provided by law.

25 ~~\*1574/P1.5\*~~ <sup>X</sup> SECTION 40. 40.08 (10) (d) of the statutes is created to read:



1           40.08 (10) (d) This subsection does not prohibit correction of purely clerical  
2 errors in reporting or recording contributions, service, and earnings.

3           ~~\*-1596/P1.1\*~~ SECTION 41. 40.08 (13) of the statutes is amended to read:

4           40.08 (13) BENEFICIARY DESIGNATION. The department may not be required by  
5 a court order, or by any other action or proceeding, to enforce or otherwise monitor  
6 the any beneficiary designation ~~specified in a qualified domestic relations order filed~~  
7 with the department.

8           ~~\*-1582/P1.1\*~~ SECTION 42. 40.22 (2) (h) of the statutes is repealed.

9           ~~\*-1564/P1.16\*~~ ~~\*-2189/P1.13\*~~ SECTION 43. 40.23 (1) (b) of the statutes is  
10 amended to read:

11           40.23 (1) (b) Except as provided in par. (bm), all retirement annuities shall be  
12 effective on the day following, or on the first day of a month following, the date of  
13 separation from the last participating employer by which the participant was  
14 employed, as specified by the participant in the written application for the annuity.  
15 However, the date shall not be more than 90 days prior to the date of receipt of the  
16 application by the department. The participant may specify that additional and  
17 tax-deferred additional contribution accumulations shall not be applied to provide  
18 an annuity until a subsequent application is filed for an annuity to be paid from the  
19 additional and tax-deferred additional contribution accumulations. The  
20 subsequent application shall be made as specified under sub. (4) or the department  
21 shall automatically distribute the accumulated additional and tax-deferred  
22 additional contribution accumulations as a lump sum.

NOTE: This provision is amended to clarify that the treatment of retirement  
annuities applies to both categories of additional contributions.

23           ~~\*-1597/P1.1\*~~ SECTION 44. 40.23 (3) of the statutes is amended to read:

40.23 (3) The initial monthly amount of any retirement annuity in the normal form shall not be less than the money purchase annuity which can be provided by applying the sum of the participant's accumulated additional and required contributions plus an amount from the employer accumulation reserve equal to the participant's accumulated required contributions, less the amount of any lump sum payment under s. 40.25 (7) (a) 5. and any interest thereon, to fund the annuity in accordance with the actuarial tables in effect on the annuity effective date.

~~\*1576/P1.1\*~~ SECTION 45. 40.23 (4) (a) of the statutes is amended to read:

40.23 (4) (a) Subject to all requirements under the Internal Revenue Code, the department shall distribute to the participant the entire benefit attributable to the amount that is credited to the account of a participant under the Wisconsin retirement system no later than the required beginning date, unless the department distributes this ~~amount~~ benefit as an annuity or in more than one payment. If the department distributes this ~~amount~~ benefit as an annuity or in more than one payment, the department shall begin the distribution no later than the required beginning date.

~~\*1576/P1.2\*~~ SECTION 46. 40.23 (4) (b) of the statutes is amended to read:

40.23 (4) (b) In the calendar year immediately preceding the calendar year of a participant's required beginning date, if the department distributes the benefit attributable to the amount that is credited to the account of a participant under the Wisconsin retirement system in a form other than as a lump sum payment, the department, subject to all requirements under the Internal Revenue Code, shall calculate the distribution to the participant according to one of the following:

1           1. The life expectancy of a participant or, if the annuity is in the form of a joint  
2 and survivor annuity, the joint ~~lives~~ life expectancies of the participant and the  
3 named survivor.

4           2. For an annuity authorized under s. 40.24 (1) (f), a term certain not to exceed  
5 the life expectancy of the participant ~~or, if the annuity is in the form of a joint and~~  
6 ~~survivor annuity, the joint life expectancies of the participant and the named~~  
7 ~~survivor.~~

8           \*~~1576/P1.3~~ SECTION 47. 40.23 (4) (c) of the statutes is amended to read:

9           40.23 (4) (c) If a participant during the calendar year in which he or she attains  
10 69.5 years or in which he or she terminates employment with a participating  
11 employer, whichever is later, or the alternate payee during the calendar year in  
12 which the participant attains or would have attained 69.5 years, does not apply  
13 before December 31 in that year for a distribution of the benefit attributable to the  
14 amount that is credited to the account of a participant under the Wisconsin  
15 retirement system, the department shall begin, effective the following January 1, an  
16 automatic distribution to the participant or alternate payee in the form of an annuity  
17 specified under s. 40.24 (1) (c) or as determined by the department by rule. If the  
18 department makes an automatic distribution under this paragraph, the beneficiary  
19 designation filed with the department before the date on which the department  
20 begins the automatic distribution is no longer applicable under ss. 40.71 and 40.73.  
21 Unless the participant or alternate payee files a subsequent beneficiary designation  
22 with the department after the date on which the department begins the automatic  
23 distribution, the department shall pay any death benefit as provided under s. 40.02  
24 (8) (a) 2.

25           \*~~1576/P1.4~~ SECTION 48. 40.23 (4) (d) of the statutes is amended to read:

1        40.23 (4) (d) If a participant dies after the department begins to distribute the  
2        benefit attributable to the amount that is credited to the account of a participant  
3        under the Wisconsin retirement system, but before the entire amount in the account  
4        benefit has been distributed, the department shall distribute the remaining portion  
5        of the ~~account~~ benefit at least as rapidly as is provided in the manner of distribution  
6        selected by the participant. If the beneficiary does not apply to the department to  
7        continue the distribution, within a period specified by rule, the department shall pay  
8        the remaining distribution to the beneficiary as a lump sum.

9        ~~\*1576/P15\*~~ <sup>X</sup> SECTION 49. 40.23 (4) (e) 1. of the statutes is amended to read:

10        40.23 (4) (e) 1. Subject to subds. 2. to 4., if a participant dies before the  
11        distribution of benefits has commenced and the participant's beneficiary is the  
12        spouse, the department shall begin the distribution ~~within 5 years after the date no~~  
13        later than December 31 of the 5th calendar year that occurs after the year of the  
14        participant's death.

15        ~~\*1576/P16\*~~ <sup>X</sup> SECTION 50. 40.23 (4) (e) 3. of the statutes is amended to read:

16        40.23 (4) (e) 3. If the spouse does not apply for a distribution, the ~~distribution~~  
17        ~~shall begin as an automatic distribution~~ department shall distribute the entire  
18        benefit as provided under subd. 1. or ~~under par. (e) 2.~~, whichever distribution date  
19        is ~~earlier~~ later.

20        ~~\*1576/P17\*~~ <sup>X</sup> SECTION 51. 40.23 (4) (f) of the statutes is repealed and recreated  
21        to read:

22        40.23 (4) (f) If a participant dies before the distribution of benefits has  
23        commenced and the participant's beneficiary is not the spouse, the department shall  
24        distribute the entire benefit in a lump sum no later than December 31 of the calendar  
25        year that occurs after the year of the participant's death, unless the beneficiary

1 begins an annuity benefit not to exceed his or her life expectancy no later than  
2 December 31 of the calendar year that occurs after the year of the participant's death.

3 ~~\*-1576/P1.8\*~~ SECTION 52. 40.23 (4) (g) of the statutes is amended to read:

4 40.23 (4) (g) Nothing in this subsection shall be construed to create any benefit,  
5 lump sum payment option or form of annuity not otherwise expressly provided for  
6 in this subchapter chapter.

7 ~~\*-1564/P1.17\*~~ ~~\*-2189/P1.14\*~~ SECTION 53. 40.24 (1) (f) of the statutes is  
8 amended to read:

9 40.24 (1) (f) From accumulated additional contributions made under s. 40.05  
10 (1) (a) 5. and tax-deferred additional contribution accumulations made under s.  
11 40.05 (1) (a) 5m. only, an annuity certain payable for and terminating after the  
12 number of months specified by the applicant, regardless of whether the applicant  
13 dies before or after the number of months specified, provided that the monthly  
14 amount of the annuity certain is at least equal to the minimum amount established  
15 under s. 40.25 (1) (a). Subject to the period of distribution required under s. 40.23  
16 (4) (b) 2., the number of months specified shall not exceed 180 and shall not be less  
17 than 24. At any time before the expiration of the certain period, the annuitant may  
18 elect to receive a lump-sum payment equal to the present value of the remaining  
19 monthly payments. If the death of the annuitant occurs prior to the expiration of the  
20 certain period, the remaining payments shall be made in accordance with s. 40.73  
21 (2) without regard to any other annuity payments payable to the beneficiary. An  
22 annuity under this paragraph may be initiated prior to any other annuity amount  
23 provided under this subchapter and prior to age 55 if all other qualifications for  
24 receiving an annuity payment are met.

X

1       ~~\*-1564/P1.18\*~~ ~~\*-2189/P1.15\*~~ SECTION 54. 40.24 (3) of the statutes is amended  
2       to read:

3           40.24 (3) Any participant specified under sub. (1) (intro.) may elect to receive  
4       the amount provided by accumulated additional contributions and tax-deferred  
5       additional contributions in a different optional form than the balance of the annuity.

6       ~~\*-1564/P1.19\*~~ ~~\*-2189/P1.16\*~~ SECTION 55. 40.24 (7) (a) 4. of the statutes is  
7       amended to read:

8           40.24 (7) (a) 4. Benefits paid from accumulated additional contributions and  
9       tax-deferred additional contributions.

NOTE: The changes made by SECTIONS 53 to 55 to provisions relating to annuity  
options, clarify that these provisions apply to both categories of additional contributions.

10       ~~\*-1564/P1.20\*~~ ~~\*-2189/P1.17\*~~ SECTION 56. 40.25 (1) (a) of the statutes is  
11       amended to read:

12           40.25 (1) (a) If all other requirements for payment of a retirement annuity are  
13       met and if the retirement annuity in the normal form which could be provided under  
14       s. 40.23 is equal to or less than \$100 monthly for a benefit with an effective date that  
15       is on or after April 23, 1994, but before the end of the calendar year of 1993 or, for  
16       a benefit with an effective date in a subsequent calendar year, the monthly amount  
17       applied under this paragraph for the previous calendar year increased by the salary  
18       index and ignoring fractions of the dollar, the then present value, including  
19       additional contributions and tax-deferred additional contributions, of the annuity  
20       shall be paid in a single sum instead of as an annuity. The additional contribution  
21       accumulations and tax-deferred additional contribution accumulations shall not be  
22       included in determining whether a single sum should be paid if the optional form  
23       provided by s. 40.24 (1) (f) or a lump sum under sub. (4) is selected.

1       ~~\*-1564/P1.21\*~~ ~~\*-2189/P1.19\*~~ SECTION 57. 40.25 (1) (b) of the statutes is  
2 amended to read:

3       40.25 (1) (b) If all other requirements for payment of a retirement annuity are  
4 met and if the retirement annuity in the normal form which could be provided under  
5 s. 40.23 from all available accumulations and credits, other than accumulations from  
6 additional contributions and tax-deferred additional contributions, is more than  
7 \$100 and less than \$200 monthly for a benefit with an effective date that is on or after  
8 April 23, 1994, but before the end of the calendar year of 1993 or, for a benefit with  
9 an effective date in a subsequent calendar year, the monthly amounts applied under  
10 this paragraph for the previous calendar year increased by the salary index and  
11 ignoring fractions of the dollar, then any participant may elect to receive, in lieu of  
12 the annuity, the then present value, including additional contributions and  
13 tax-deferred additional contributions, of the annuity in a single sum.

14       ~~\*-1564/P1.22\*~~ ~~\*-2189/P1.20\*~~ SECTION 58. 40.25 (3m) of the statutes is  
15 amended to read:

16       40.25 (3m) A participant's application for a lump sum payment under sub. (1)  
17 (b) or (2), filed after May 7, 1994, shall be signed by both the participant and the  
18 participant's spouse, if the participant has been married to that spouse for at least  
19 one year immediately preceding the date the application is filed. The department  
20 may promulgate rules that allow for the waiver of the requirements of this subsection  
21 for a situation in which, by reason of absence or incompetency, the spouse's signature  
22 may not be obtained. This subsection does not apply to any benefits paid from  
23 accumulated additional contributions and tax-deferred additional contributions.

24       ~~\*-1564/P1.23\*~~ ~~\*-2189/P1.21\*~~ SECTION 59. 40.25 (4) of the statutes is amended  
25 to read:

1           40.25 (4) If all the requirements for payment of a retirement annuity or a  
2 separation benefit are met, except filing of an application, a participant may elect  
3 that the accumulation from the participant's additional contributions made under  
4 s. 40.05 (1) (a) 5. and tax-deferred additional contributions made under s. 40.05 (1)  
5 (a) 5m. be paid as a lump sum in lieu of an annuity from those additional  
6 contributions.

NOTE: ~~SECTIONS 56 to 59 amend provisions relating to lump-sum payments to clarify that the provisions apply to both categories of additional contributions.~~

7           \*~~1564/P1.24~~\* \*~~2344/P1.1~~\* **SECTION 60.** 40.25 (6) (a) 1. of the statutes is  
8 amended to read:

9           40.25 (6) (a) 1. The participating employee must have at least 3 continuous  
10 years of creditable current service under the fund at the time of application for  
11 reestablishment of creditable service under this subsection.

NOTE: ~~This provision is amended to clarify that a participating employee must have at least three continuous years of creditable current service at the time of application for purchasing forfeited service.~~

12           \*~~1564/P1.25~~\* **SECTION 61.** 40.25 (6) (a) 2. of the statutes is amended to read:

13           40.25 (6) (a) 2. ~~Applications for reestablishment of creditable service must~~  
14 ~~include all creditable service that has been forfeited except that the~~ Subject to the  
15 rules promulgated by the department, a participating employee may apply for all or  
16 part of the creditable service that he or she has forfeited. The total number of years  
17 which may be reestablished under this subsection may not be greater than the  
18 creditable service of the participating employee at the date of application, or 10  
19 years, whichever is smaller. Creditable service previously purchased under this  
20 chapter may not be used to determine the maximum amount of service that may be  
21 purchased under this subsection.



NOTE: This provision is amended to clarify that the total number of years of forfeited service that the person can purchase is the lesser of ten years, or a number of years equal to the current creditable service of the employee at the date of application.

1       ~~\*-1564/P1.26\*~~ ~~\*-2344/P1.3\*~~ SECTION 62. 40.25 (7) (a) 2. of the statutes is  
2       amended to read:

3       40.25 (7) (a) 2. The participant has at least 3 continuous years of creditable  
4       current service under the fund at the time of application under subd. 1.

NOTE: This provision is amended to clarify that the participant must have had at least three continuous years of creditable current service at the time of applying to purchase creditable service for service as an employee of the federal government or for service with an employer that was not covered by the Wisconsin retirement system during the period in which the service was performed but subsequently became a participating employer.

5       ~~\*-1564/P1.27\*~~ SECTION 63. 40.25 (7) (a) 3. of the statutes is amended to read:  
6       40.25 (7) (a) 3. The number of years of creditable service applied for under this  
7       paragraph does not exceed the number of years of creditable service that the  
8       participant has at the date of application or 10 years, whichever is less. Creditable  
9       service previously purchased under this chapter may not be used to determine the  
10      maximum amount of service that may be purchased under this subsection.

NOTE: This clarifies that the number of years of creditable service for service with the federal government or an employer that previously did not participate in the Wisconsin retirement system, that the person can purchase may not exceed the lesser of ten years or a number of years equal to the current creditable service that the participant has, of the date of application.

11      ~~\*-1597/P1.2\*~~ SECTION 64. 40.25 (7) (d) of the statutes is amended to read:  
12      40.25 (7) (d) The lump sum payment under par. (a) 5. shall be credited and  
13      treated as an employee required contribution for all purposes of the retirement  
14      system, except for purposes of s. as provided in ss. 40.23 (3) and 40.73 (1) (am).

15      ~~\*-1564/P1.28\*~~ ~~\*-2189/P1.22\*~~ SECTION 65. 40.26 (2) (a) of the statutes is  
16      amended to read:

1       40.26 (2) (a) The then present value of any portion of the terminated annuity  
2       which was originally provided by employee or employer additional contributions or  
3       tax-deferred additional contributions shall be credited to the corresponding  
4       additional contribution account or tax-deferred additional contribution account.

5       ~~\*-1564/P1.29\*~~ ~~\*-2189/P1.23\*~~ SECTION 66. 40.26 (2) (b) of the statutes is  
6       amended to read:

7       40.26 (2) (b) The amount of the annuity payments, excluding any portion  
8       originally provided by additional contributions or tax-deferred additional  
9       contributions, which would have been paid under the terminated annuity, if the  
10      annuity had been a straight life annuity, prior to the participant's normal retirement  
11      date or prior to the annuity termination date, whichever would first occur, shall be  
12      credited to a memorandum account which is subject to s. 40.04 (4) (a) 2., 2g., and 2m.  
13      and (c). If the annuity was recomputed under s. 40.08 (1m) because of a qualified  
14      domestic relations order, the memorandum account established under this  
15      paragraph shall be adjusted as provided under s. 40.08 (1m) (f) 2.

NOTE: The changes made by SECTION 65 and 66 in provisions on reentry into covered service, clarify that the provisions apply to both categories of additional contributions.

16      ~~\*-1577/P1.1\*~~ SECTION 67. 40.26 (5) (intro.) of the statutes is amended to read:  
17      40.26 (5) (intro.) If a participant applies for an annuity or lump sum payment  
18      during the period in which less than 30 days have elapsed between the termination  
19      of employment with a participating employer and becoming a participating employee  
20      with any participating employer but does not satisfy the condition under s. 40.23 (1)  
21      (a) 1., all of the following shall apply:

22      ~~\*-1577/P1.2\*~~ SECTION 68. 40.26 (5) (a) of the statutes is repealed.

23      ~~\*-1577/P1.3\*~~ SECTION 69. 40.26 (5) (c) of the statutes is amended to read:

1           40.26 (5) (c) Any annuity or lump sum payment made to the participant shall  
2           be considered to have been made in error and is subject to s. 40.08 (4). ~~The sum of~~  
3           ~~the payments made in error shall be credited to a memorandum account. The~~  
4           ~~memorandum account is subject to s. 40.04 (4) (a) 2., 2g. and 2m. and (c). If the~~  
5           ~~annuity was recomputed under s. 40.08 (1m), the memorandum account established~~  
6           ~~under this paragraph shall be adjusted pursuant to s. 40.08 (1m) (f) 2. The~~  
7           ~~retirement account of a participant paid in error, and whose annuity was terminated,~~  
8           ~~shall be reestablished as if the terminated annuity had never been effective,~~  
9           ~~including the crediting of interest.~~

10           ~~\*1564/P1.30\*~~ ~~\*2189/P1.24\*~~ <sup>✓</sup> SECTION 70. 40.28 (1) (a) 1. of the statutes is  
11           amended to read:

12           40.28 (1) (a) 1. The amount of the additional contribution accumulations and  
13           tax-deferred additional contribution accumulations reserved for a variable annuity  
14           as of the date the annuity begins;

NOTE: This change clarifies that the provision, relating to variable benefits, applies  
to both categories of additional contributions.

15           ~~\*1578/P1.1\*~~ <sup>X</sup> SECTION 71. 40.63 (7) of the statutes is amended to read:

16           40.63 (7) If an application, by a participant age 55 or over, or by a protective  
17           occupation participant age 50 or over, for any disability annuity is disapproved  
18           ~~withdrawn or denied within 6 months from the date that the department receives the~~  
19           ~~application,~~ <sup>denied, withdrawn, or cancelled</sup> the date which would have been the disability annuity effective date  
20           shall be the retirement annuity effective date if so requested by the applicant within  
21           60 days of the ~~disapproval~~ <sup>or cancellation</sup> ~~date of withdrawal~~ <sup>denial</sup> or, if the ~~disapproval~~ ~~denial~~  
22           is appealed, within 60 days of final disposition of the appeal.

X

1       ~~\*-1564/P1.31\*~~ ~~\*-2189/P1.25\*~~ SECTION 72. 40.63 (9) (b) of the statutes is  
2 amended to read:

3       40.63 (9) (b) If a disability annuitant, prior to attaining the normal retirement  
4 date for the annuitant's former participant classification, receives earnings or other  
5 earned income from any source whatsoever for personal services, including services  
6 performed on a contractual basis, the annuity shall be suspended, except for any  
7 amount provided by additional contributions or tax-deferred additional  
8 contributions, and no payment shall be payable after the first of the month in which  
9 the earnings or earned income received during any calendar year exceed the amount  
10 established under sub. (11), except that if payment was being made under sub. (4)  
11 the annuity may only be suspended if the annuitant is employed in a law  
12 enforcement or fire fighting capacity and then the suspension shall be effective  
13 immediately. The suspended amount shall be reinstated on January 1 following the  
14 date of suspension, or, if earlier, on the first day of the 2nd month following the  
15 termination of personal services. An amount, which is reinstated in any calendar  
16 year, other than on January 1 of the calendar year, shall again be suspended for any  
17 subsequent month in the calendar year following a month in which the disability  
18 annuitant receives any amount of earnings or earned income for personal services.  
19 The department may request any earnings or compensation information as it deems  
20 necessary to implement the provisions of this paragraph and par. (c).

NOTE: The change clarifies that provisions relating to suspension of disability annuities of persons who receive earnings from personal services do not apply to either category of additions contributions.

X

21       ~~\*-1564/P1.32\*~~ ~~\*-2189/P1.26\*~~ SECTION 73. 40.63 (10) of the statutes is  
22 amended to read:

1           40.63 (10) Upon termination of an annuity in accordance with sub. (9), each  
2 participant whose annuity is so terminated shall, as of the beginning of the calendar  
3 month following termination, be credited with additional contributions and  
4 tax-deferred additional contributions equal to the then present value of the portion  
5 of the terminated annuity which was originally provided by the corresponding type  
6 of additional contributions. Except for additional contributions and tax-deferred  
7 additional contributions, the retirement account of the participant shall be  
8 reestablished as if the terminated annuity had never been effective, including  
9 crediting of interest and of any contributions and creditable service earned during  
10 the period the annuity was in force.

NOTE: The change to this provision, relating to disability annuities, clarifies that  
it applies to both categories of additional contributions.

✓  
11           \*~~1589~~/P1.1\* SECTION 74. 40.70 (1) (b) of the statutes is amended to read:

12           40.70 (1) (b) The employee files ~~with the department~~ an application in the  
13 manner provided by rule or contract, to be effective on a date fixed by the department,  
14 for one or more of the types of coverage established under this subchapter. The group  
15 insurance board may provide a different method of enrollment than provided under  
16 this subsection.

✓  
17           \*~~1591~~/P1.1\* SECTION 75. 40.70 (6) of the statutes is amended to read:

18           40.70 (6) Except as provided in sub. (7m), any employee who has not applied  
19 for coverage under sub. (1) within ~~6 months~~ the time period specified by rule or  
20 contract after becoming eligible for coverage or any employee whose insurance  
21 terminates under sub. (8) shall not thereafter become insured for that coverage  
22 unless ~~prior to the attainment of age 55~~ the employee furnishes evidence of  
23 insurability satisfactory to the insurer, at his or her own expense. If the evidence is

1 approved, the employee shall become insured on the first day of the first month  
2 beginning after the approval.

3 ~~\*1579/P11\*~~ <sup>X</sup> SECTION 76. 40.71 (1) (d) of the statutes is <sup>renumbered 40.71(1)(d)(intro.)</sup> amended to read:

4 40.71 (1) (d) <sup>(intro.)</sup> Every participant is deemed an annuitant immediately upon the  
5 later of the following:

6 1. The effective date of the participant's annuity, or the

7 2. The date the application for an annuity is received by the department, but  
8 only if the participant is living on that date, whichever is later.

9 ~~\*1580/P11\*~~ <sup>X</sup> SECTION 77. 40.71 (2) of the statutes is amended to read:

10 40.71 (2) Any death benefit may be paid as a beneficiary annuity, subject to s.  
11 40.73 (3), or as a single cash sum as specified by the beneficiary in the application  
12 for the death benefit unless the participant prohibited payment of a single cash sum  
13 in a written notice received by the department prior to the participant's death. A  
14 prohibition on payment of a single cash sum shall not be effective if the monthly  
15 amount of the annuity would be less than the amount determined under s. 40.25 (1)  
16 (a), if the department commences an automatic distribution under s. 40.23 (4), or if  
17 the beneficiary is the participant's estate or a trust in which the beneficiary has a  
18 beneficial interest.

19 ~~\*1597/P13\*~~ <sup>X</sup> SECTION 78. 40.73 (1) (am) of the statutes is renumbered 40.73  
20 (1) (am) (intro.) and amended to read:

21 40.73 (1) (am) (intro.) Upon the death of a participating employee, except as  
22 otherwise provided by par. (c), the sum of the ~~additional contribution and twice the~~  
23 ~~employee required contribution accumulations credited~~ following accumulations,  
24 including any interest credited to the accumulations, that are credited to the  
25 participant's account on the beneficiary annuity effective date or, in the case of a

1 lump sum payment, the first day of the month in which the death benefit is  
2 approved.;

3 ~~\*-1597/P1.4\*~~ <sup>x</sup> SECTION 79. 40.73 (1) (am) 1. of the statutes is created to read:

4 40.73 (1) (am) 1. Additional contributions.

5 ~~\*-1597/P1.5\*~~ <sup>x</sup> SECTION 80. 40.73 (1) (am) 2. of the statutes is created to read:

6 40.73 (1) (am) 2. Lump sum payments under s. 40.25 (7) (a) 5.

7 ~~\*-1597/P1.6\*~~ <sup>x</sup> SECTION 81. 40.73 (1) (am) 3. of the statutes is created to read:

8 40.73 (1) (am) 3. Twice the employee required contributions, less the amounts  
9 under subds. 1. and 2.

10 ~~\*-1564/P1.33\*~~ ~~\*-2189/P1.27\*~~ <sup>x</sup> SECTION 82. 40.73 (1) (b) of the statutes is  
11 amended to read:

12 40.73 (1) (b) Upon the death of an annuitant, in addition to any amounts  
13 payable by virtue of the annuity option elected by an annuitant, the amount  
14 determined under par. (a) for contributions made under s. 40.05 (1) subsequent to the  
15 effective date of the annuity, or additional contributions and tax-deferred additional  
16 contributions not applied to provide an annuity, provided the amounts have not been  
17 previously paid out as a lump sum under s. 40.25.

NOTE: This provision, relating to death benefits, is amended to provide that it  
applies to both categories of additional contributions.

18 ~~\*-1581/P1.1\*~~ <sup>x</sup> SECTION 83. 40.73 (3) (e) of the statutes is amended to read:

19 40.73 (3) (e) Any beneficiary who is eligible to receive a beneficiary annuity  
20 may elect to receive the annuity in any of the optional annuity forms provided for  
21 retirement annuities, other than as an annuity under s. 40.24 (1) (c) or any annuity  
22 payable over the joint life expectancies of the beneficiary and another person or as

1 an annuity payable under s. 40.24 (1) (c) if the payment period would exceed the life  
2 expectancy of the beneficiary.

3 ~~\*-1564/P1.34\*~~ ~~\*-2343/P1.2\*~~ SECTION 84. 40.80 (2) (g) of the statutes is created  
4 to read:

5 40.80 (2) (g) Serve as trustee of any deferred compensation plan established  
6 under this section and hold the assets and income of the plan in trust for the exclusive  
7 benefit of the employees who participate in the plan and their beneficiaries.

NOTE: This provision clarifies that the Wisconsin deferred compensation program  
is a trust and deferred compensation board members are its trustees.

8 ~~\*-1568/P1.2\*~~ SECTION 85. Initial applicability.

9 (1) CALCULATION OF CREDITABLE MILITARY SERVICE. This act first applies to  
10 individuals who are participating employees on the effective date of this subsection.

11 ~~\*-1564/P1.35\*~~ SECTION 86. Initial applicability.

12 (2) (1) The treatment of section 40.25 (6) (a) 1. and 2. and (7) (a) 2. and 3. of the  
13 statutes first applies to applications for the purchase of creditable service under  
14 section 40.25 (6) and (7) of the statutes submitted to the department of employee  
15 trust funds on the effective date of this subsection.

16 (END)

, as affected by  
this act, that  
are



2001-2002 DRAFTING INSERT  
FROM THE  
LEGISLATIVE REFERENCE BUREAU

LRB-3808/lins  
RAC:....

*Analysis*

This bill makes numerous changes to the administration of the Wisconsin retirement system (WRS) and other benefits offered to state and other governmental employees. The changes include all of the following:

1. Current law permits the making of additional contributions by participants in the WRS. These contributions are in addition to the employer and employee required contributions to the WRS. Additional contributions may be used to purchase an annuity at the time of retirement. This bill specifies that there are two different kinds of additional contributions that may be made by participants to the WRS: after-tax additional contributions made under section 401 (a) of the Internal Revenue Code (IRC); and tax-deferred additional contributions made under section 403 (b) of the IRC.

2. Under current law, any participant in the WRS, subject to rules promulgated by the secretary of employee trust funds, may elect as a payout option for a deferred compensation plan established by the deferred compensation board or a plan established by his or her employer, if his or her employer is a local government employer, to have the entire balance treated as an additional contribution to the fixed annuity division of the employee trust fund. (To date, the rules have not been promulgated.) This bill provides that this option is available only for a deferred compensation plan established by the deferred compensation board. The bill also specifies that the deferred compensation board must serve as trustee of any deferred compensation plan it establishes and must hold the assets and income of the plan in trust for the exclusive benefit of the employees who participate in the plan and their beneficiaries.

3. Under current law, a participating employee in the WRS may purchase creditable service that he or she may have forfeited in the past. In addition, a participating employee may purchase creditable service under the WRS for service as an employee of the federal government or for service as an employee of an employer that was not covered under the WRS during the period in which the service was performed, but that subsequently became an employer under the WRS. In order to purchase such service, the employee must have at least three continuous years of creditable service under the WRS at the time of application and the number of years that an employee may purchase may not exceed the lesser of ten years or the number of years of creditable service that the employee has at the time of application.

This bill provides that the employee must have at least three continuous years of creditable *current* service under the WRS at the time of application. Under current law, creditable *current* service is defined as "the creditable service granted for service performed for a participating employer and for which a participating employee receives earnings after the effective date of participation for that employer."

In addition, the bill provides that creditable service previously purchased by a participating employee may not be used to determine the maximum amount of service that a participating employee may purchase.

4. Under current law, the department of employee trust funds (DETF) may retain out of any person's annuity or benefit an amount that DETF has determined

was paid to the person as a result of misrepresentation, fraud, or error. This bill authorizes DETF to secure these inadvertently paid moneys by a lien against the person's account in the employee accumulation reserve of the employee trust fund and any annuity, benefit, or obligation of the employee trust fund that is payable or will become payable to the person or the person's beneficiaries.

5. Currently, under certain conditions, a participating employee under the WRS may receive one year of creditable service under the WRS for each year of military service, up to a ~~maximum of four years of military service credit~~. However, the participant may ~~not receive military service credits for military service that is used for the purpose of establishing entitlement to a retirement benefit that is paid by the federal government, other than for the nonregular military service program.~~

*In addition,* This bill provides the new statutory cross-reference to the U.S. Code provision referring to the nonregular military service program. *Always, the*

6. Under current law, a participating employee under the WRS may receive creditable ~~military service under the WRS for each year of military service, up to a maximum of four years of military service credit~~, provided certain conditions are met. If the participant's ~~military service was performed before 1974~~, the participant may receive up to one, two, three, or four years of military service credit if the participant has at least five, ten, fifteen, or twenty years, respectively, of creditable service (not counting previously granted military service credit). This bill clarifies that not more than one year of creditable service may be earned by a participant in any year for the purpose of receiving creditable military service.

7. Under current law, a participating employee under the WRS may receive one year of creditable military service under the WRS for each year of military service, up to a maximum of four years of military service credit, at the time of retirement in either of the following ways:

a. If the participant left employment covered under the WRS to enter military service and returned to the same employer within 180 days after being discharged, the participant may receive one year of military service credit for each year of military service (regardless of the amount of the participant's creditable service).

b. If the participant's military service was performed before 1974, the participant may receive up to one, two, three, or four years of military service credit if the participant has at least five, ten, fifteen, or twenty years, respectively, of creditable service (not counting previously granted military service credit). Under current law, the crediting of creditable military service under this item <sup>(2)</sup> occurs on the date on which the participant attains five, ten, fifteen, or twenty years of creditable service.

This bill provides that the crediting of creditable military service under item b. above continues to occur on the date on which the participant attains five, ten, fifteen, or twenty years of creditable service, except that, if a participant would receive an higher benefit, the creditable military service must be allocated according to the amount of creditable service that is credited to the participant's account on the date on which the participant terminates participating employment.

8. Under current law, other than the first \$5,000 of additional contributions that are attributable to a WRS death benefit, additional contributions of a

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participant in the WRS may be made to the fixed annuity division of the public employee trust fund by rollover contribution of a payment or distribution from a pension or annuity qualified under the Internal Revenue Code. This bill permits the first \$5,000 of additional contributions that are attributable to a WRS death benefit to be made to the fixed annuity division.

7. Under current law, a participant in the WRS may elect, as a payout option, to have his or her deferred compensation balance treated as an additional contribution under the WRS. Additional contributions under the WRS may be used to increase a WRS annuity. This bill specifies that this option is only available for state employees who participate in the Wisconsin deferred compensation program.

8. Under current law, a potential primary beneficiary of a participant under the WRS, other than an estate, who has not applied for any benefit payable as a result of the death of the participant and whom DETF cannot locate by reasonable efforts within one year after the death of the participant is presumed to have predeceased the participant and all other potential beneficiaries. Thereafter, if DETF is unable to locate any resulting subsequent beneficiary within six months, all beneficiaries are presumed to have predeceased the participant, and DETF must pay benefits to the participant's estate. This bill changes the time period from *one year after* the death of the participant to *one year after DETF learns of* the death of the participant.

9. Under current law, an account in the WRS is considered abandoned if DETF cannot locate the participant before the date on which the participant attains, or would have attained, the age of 70. However, if the participant subsequently applies for retirement benefits before attaining the age of 80, DETF must restore any participant's account. This bill eliminates the provision that allows a participant to have his or her account restored if he or she applies for retirement benefits before attaining the age of 80.

10. Under current law, DETF is required to publish notice in the official state newspaper of the names of all WRS participants who are presumed to have died intestate or whose accounts are presumed to be abandoned. At the end of the fifth calendar year after which the notice is published, the unclaimed moneys are transferred to the employer accumulation reserve to reduce future funding requirements of the WRS. This bill requires that the moneys must be transferred at the end of the calendar year in which the notice is published.

11. This bill provides that the factors that are used to calculate a participant's retirement benefits under the WRS are subject to correction for seven years after the date that DETF calculates the participant's benefits. In addition, the bill provides that individual premium and benefit payments are subject to correction for seven years after the premium is due or the benefit is made, whichever is applicable, and that a contribution correction may occur as a result of a decision of DETF to classify a participant as a protective occupation participant. Finally, the bill provides that any employer under the WRS who employed teacher participants who were members of the state teachers retirement system shall pay the state all employer required contributions, plus interest at the effective rate on the accumulations, that would have been paid for the teacher participants under the state teachers retirement system.

②  
14. Under current law, DETF may refund any moneys to any person who has paid the moneys in error into the public employee trust fund. However, DETF may not pay interest on any such refund. This bill authorizes DETF to pay interest on the refunded moneys at a rate of interest that is established by rule. ✓

15. Under current law, with respect to certain annuity underpayments under the WRS, DETF is required to pay interest to an annuitant at a rate of 0.4% interest for each month during the period in which the underpayment occurred. This bill provides that DETF must pay interest at a rate of interest that is established by rule. ✓

16. This bill makes several changes regarding the timing of the distributions of benefits under the WRS so as to bring the timing of the distributions in compliance with the Internal Revenue Code. ✓  
X

17. Under current law, one of the conditions that a participant in the WRS must meet in order to qualify for a WRS annuity is that the participant must be separated until his or her annuity effective date, the date 30 days after an annuity application is received by the department of employee trust funds, or the date 30 days after separation, whichever is latest, from all participating employment. This bill provides that if a participant does not meet this condition the participant may not receive any benefit provided under the WRS for which the receipt of an annuity is a condition. ✓

18. Under current law, in the WRS, if an application, by a participant age 55 or over, or by a protective occupation participant age 50 or over, for any disability annuity is disapproved, the date that would have been the disability annuity effective date shall be the retirement annuity effective date if so requested by the applicant within 60 days of the disapproval or, if the disapproval is appealed, within 60 days of final disposition of the appeal. ✓

This bill provides that, if the application is <sup>cancelled,</sup> withdrawn, or denied ~~within six months from the date that the department of employee trust funds receives the application,~~ the date that would have been the disability annuity effective date shall be the retirement annuity effective date if so requested by the applicant within 60 days of the date of withdrawal, or denial or, if the denial is appealed, within 60 days of final disposition of the appeal. ✓

19. This bill provides that, for the purposes of death benefit eligibility under the WRS, every participant in the WRS is considered an annuitant upon the later of the following: ✓

a. The effective date of the participant's annuity.

b. The date the application for an annuity is received by <sup>DETF</sup> the department of employee trust funds, but only if the participant is living on that date. ✓

This bill simply restates the current law requirement.

18  
20. This bill permits DETF, if required under federal law, to distribute a participant's death benefits as a lump sum payment even if the participant provided written notice to DETF before his or her death that the benefit should not be distributed as a lump sum payment. ✓

19  
21. This bill specifies that the number of guaranteed death benefit payments that are payable to a beneficiary of a participant in the WRS may not exceed the life expectancy of the beneficiary. ✓

22. <sup>0</sup> Under current law affecting the WRS, any person who is a visiting professor, associate professor, assistant professor, or instructor employed by the University of Wisconsin (UW) System and whose employment with the UW System is all within 12 consecutive months may not participate in the WRS. This bill eliminates this prohibition.

23. <sup>0</sup> Under current law, the secretary of employee trust funds must promulgate, with the approval of the group insurance board, all rules required for the administration of the group health, long-term care, income continuation, and life insurance plans established under certain subchapters of chapter 40 of the statutes. This bill expands this duty to promulgating rules for the administration of the group health, long-term care, income continuation, life insurance, and other insurance plans established under all of chapter 40 of the statutes.

24. <sup>0</sup> Under current law, the secretary of employee trust funds is required to promulgate, with the approval of the group insurance board, all rules required for the administration of the group health, long-term care, income continuation, and life insurance plans provided by the group insurance board. This bill specifically provides that the group insurance board shall approve or reject all rules proposed by the secretary of employee trust funds.

25. <sup>0</sup> Under current law, to be insured under the group life insurance plan administered by DETF, an eligible employee must file an application with DETF. This bill requires that the application be filed in the manner provided by rule or contract.

26. <sup>0</sup> Currently, with respect to life insurance benefits offered to participating employees in the WRS, an employee must apply for the insurance coverage within 6 months after becoming eligible for coverage. If the employee does not apply for life insurance coverage with the <sup>51A</sup> month period, the employee may subsequently be covered under the life insurance program only if he or she is under 55 and furnishes evidence of insurability satisfactory to the insurer, at his or her own expense. This bill provides that the employee must apply for the insurance coverage within a time period specified by rule or contract after becoming eligible for coverage. In addition, the bill eliminates the requirement that the employee must be under 55 if he or she subsequently wishes to apply for life insurance outside of the permissible time period established by rule or contract.

27. <sup>0</sup> Under current law, <sup>DETF</sup> the group insurance board is authorized to hear appeals of determinations made by ~~the department of employee trust funds~~ affecting group insurance plans. This bill requires the group insurance board to hear such appeals.

28. <sup>0</sup> Current law provides that no participant, beneficiary or distributee of any estate may waive the right to or the payment of all or any portion of any benefit under the WRS or under a program administered by DETF.

This bill provides that no participant, alternate payee, beneficiary, or personal representative of any estate may conditionally or partially waive any portion of a benefit under the WRS or under a program administered by DETF if the implementation of the waiver, or monitoring of benefits under the waiver, would require "special administration" by DETF.

29. Under current law, DETF may not be required by a court order, or by any other action or proceeding, to enforce or otherwise monitor the beneficiary designation specified in a qualified domestic relations order (QDRO). A QDRO is a judgment, decree, or order issued by a court pursuant to a domestic relations law of any state or territory of the United States, that meets certain requirements. This bill provides that DETF may not be required by a court order, or by any other action or proceeding, to enforce or otherwise monitor any beneficiary designation filed with DETF.

28 30. Under the WRS, if a participating employee dies before he or she would be eligible to receive an annuity his or her death benefit equals the sum of his or her additional contribution accumulations and twice his or her employee required contribution accumulations. For a participating employee who has purchased WRS service based on his or her other governmental employment, this bill reduces the amount of the death benefit by the amount that the employee paid for the additional WRS service.

This bill will be referred to the joint survey committee on retirement systems for a detailed analysis, which will be printed as an appendix to this bill.

For further information see the *state and local* fiscal estimate, which will be printed as an appendix to this bill.

**Champagne, Rick**

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**From:** Henning, Pamela  
**Sent:** Thursday, January 24, 2002 1:22  
**To:** Champagne, Rick  
**Cc:** Meyer, Amber; Pleva, Brian  
**Subject:** FW: ETF Remedial (LRB-3808/1)  
**Importance:** High

Hi Rick. I haven't talked to you in quite a while. Hope all is well with you.

It is my understanding that Senator Wirch and Rep. Vrakas plan on introducing and cosponsoring ETF's technical bill. By way of including Amber and Brian on this email, I'll let them provide you with any follow up information as to how the bill should be introduced, etc. LRB 3808/1 needs the following modifications before introduction:

- ✓ Section 4, page 8, line 8 - change the word "an" to "a"
- ✓ Section 38, page 21, line 12 - change the word "made," to "paid"
- ✓ Section 80, page 34, line 11 - remove reference to "subds. 1 and". Should read "under subd. 2."
- ✓ Section 82, page 34, line 24 - should read "an annuity payable under s. 40.24 (1) (b) or (c) if the payment period would exceed the life..." This adds s. 40.24 (1) (b).
- ✓ Section 84, page 35 - delete lines 8-11. We prefer not to have these provisions specifically identified with an initial applicability date.

Thanks for your help. I'm hoping these modifications can be expedited so the co-chairs of JSCRS can introduce fairly soon. Any questions, give me a call.

-----Original Message-----

**From:** Emery, Lynn  
**Sent:** Thursday, September 27, 2001 12:22 PM  
**To:** Pamela Henning  
**Subject:** ETF Remedial (LRB-3808/1)

Lynn Emery

Lynn Emery - Program Asst. (PH. 608-266-3561)  
 (E-Mail: lynn.emery@legis.state.wi.us) (FAX: 608-264-6948)

Legislative Reference Bureau - Legal Section - Front Office  
 100 N. Hamilton Street - 5th Floor  
 Madison, WI 53703

01/24/2002